FINANCIAL TIMES

No. 28,484

PUBLISHED IN LONDON AND FRANKFURT

Tuesday June 2 1981

CONTINENTAL SELLING PRICES: AUSTRIA Sch 20; BELGIUM Fr 28; DENMARK Kr 6.00; FRANCE Fr 4.50; GERMANY DM 2.0; ITALY L 800; NETHERLANDS Fl 2.0; NORWAY Kr 6.00; PORTUGAL Esc 50; SPAIN Pts 75; SWEDEN Kr 6.00; SWITZERLAND Fr 2.0; EIRE 35p; MALTA 25c

NEWS SUMMARY

GENERAL

Mid-east envoy to return this week

President Reagan's special envoy Philip Habib will return to the Middle East this week to resume his mediation in the Israel-Syria crisis.

Israel's Premier Menahem Begin has warned that time is running out for Habib to defuse the crisis over Syrian missiles in Lebanon.

Three children were reported killed in artillery exchanges in the Lebanese capital Beirut. Page 3; Editorial Comment, Page 16

Whitelaw sets up Ripper probe

Home Secretary William Whitelaw has set up an "independent professional review" to study the handling of the Yorkshire Ripper investigation.

Polish police call

Poland's policemen met in Warsaw to prepare for talks with the Government on setting up their own trade union. Back Page

Students fired on

South African police opened fire on about 1,000 black students who tried to attack a police station outside Pietersburg. One student was reported wounded.

Firebomb attack

The Johannesburg offices of South Africa's opposition Progressive Federal Party were attacked with firebombs. Page 4

No compromise

President Reagan's talks with opposition Democrat leaders failed to reach common ground on tax cuts.

Soccer warning

Britain warned Hungarian soccer officials to guard against violence by England's supporters when the team meets Hungary in Budapest on Saturday.

Revolt collapses

The Bangladesh army rebellion collapsed and its leader, Major-General Abu Manzur, has been arrested. Page 4

Runcie mission

Archbishop of Canterbury Dr. Robert Runcie arrives in Ulster today for a peace mission on both sides of Ireland's border. He will meet church and State leaders.

Surgeries chain

The first of a chain of private family doctors' surgeries is to be set up later this year with £1m of private finance. Page 7

Passport move

Australia and New Zealand have followed the U.S. in agreeing to let in visitors whose UK passports have expired during the passport officers' dispute. No early breakthrough in Civil Service dispute Page 8

Profit wave

Wicked Wave, another 12-1 nap for racing correspondent Dominic Wigan, took the FT naps profit this season to more than £21 for a £1 level stake. Racing, Page 14

Stop, please!

Drivers in Gwent, Wales, who are seen being considerate to other road users, will be stopped by police and given special pens as part of a good-driving campaign.

Briefly . . .

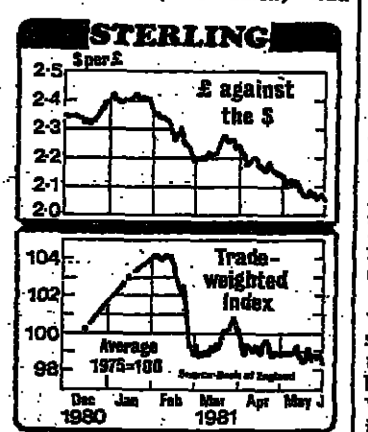
Danish EEC Commissioner Paul Dalsager, 51, is in hospital after a heart attack.

Kent and Metropolitan police officers formed a guard of honour at the funeral of Dixon of Dock Green actor Jack Warner.

BUSINESS

£ hits two-year low against $

● STERLING was sharply lower, closing 1.2c down at a two-year low of $2.058. It also fell to FFr 11.425 (FFr 11.51) and



DM 4.8025 (DM 4.825). Its aBnk of England index was 98.3 (98.9). Page 22

● DOLLAR firmed to DM 2.3325 (DM 2.33) but eased to Y222.25 Y223.75 and FFr 5.5525 (FFr 5.56). Its trade-weighted index fell to 106.9 from 107.1. Page 22

● EQUITIES improved after an uncertain start, with after-hours sentiment boosted by early Wall Street strength. The FT 30-share Index added 6.7 at 549.2. Page 28

● GILTS continued firmer on falling U.S. interest rates. The Government Securities Index put on 0.17 at 67.84. Page 28

● GOLD rose $3 to $482.5 in thin trading in London. In New York the Comex June close was $474.5. Page 22

● WALL STREET was up 10.48 at 1,002.23 before the close. Page 26

● MORGAN GUARANTY and other big U.S. banks followed Chase Manhattan in cutting prime rates to 20 per cent from 20.5 per cent. Two smaller banks lowered their prime to 19.5 per cent.

● DOME Petroleum of Calgary has become Canada's biggest natural gas producer after taking over Hudsons Bay Oil and Gas from Conoco of the U.S.

● UNITED Arab Emirates Oil Minister said exporters should freeze oil prices for 18 months while reformulating long-term policy. Back Page

● JAMAICA will this week sign agreements for credit lines of $68m (£33m) bridging finance while it awaits $900m in overseas financial aid.

● WORLD WHEAT harvest should reach an all-time high this year, UN Food and Agriculture Organisation predicted. Page 27

● TURKEY'S exports for the first four months this year rose by over 44 per cent to $1.337bn (£646m). Page 5

● POST OFFICE Engineering Union said it would defend with industrial action any jobs threatened by the Government drive towards telecommunication competition. Page 8

● BURROUGHS MACHINES will make 370 redundant at its plant in Cumbernauld, Scotland. The company has shed 800 jobs since November. Page 6

● LESNEY, maker of Matchbox toys, lost £17.6m in the year to January 25, more than quadrupling the previous year's £4m loss. Back Page

● TOYOTA MOTOR plans to raise Y70bn (£152m) by issuing 70m shares of common stock, the biggest rights issue ever by a Japanese company. Page 24

● MARTIN the Newsagent reported taxable profit up 16 per cent to £2.41m in the six months to March 29. Net interim dividend is 3.96p (3.6p). Page 18

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Excheq. 13¼% 1987	£103¾	+ ¼
Commercial Union	162	+ 11
Dundonian	73	+ 4
Eagle Star	270xd	+ 39½
Eucalyptus Pulp	168	+ 18
Extel	223	+ 11
General Accident	296	+ 8
GEC	687	+ 9
Glaxo	348	+ 12
Hambros Bank	865	+ 65
Hawker Siddeley	304	+ 6
Hield Brothers	15½	+ 1½
Hill (C.) of Bristol	124	+ 22
ICI	292	+ 6
Lesney	24	+ 2
Martin The Newsagent	240	+ 8
Novo Inds. A/S B	£94	+ 8
Plessey	311	+ 9
Pratt (F.)	86	+ 6
Prince of Wales Hotels	72	+ 7
Reed Int.	245	+ 5
Samuelson Film	298	+ 28
Swire Props.	134	+ 14
Thorn EMI	400	+ 8
Trafford Carpets	22	+ 6½
Ward (T. W.)	123	+ 10
Yorks Fine Woollen	41	+ 5
Aran Energy	87	+ 7
Berkeley Exploration	328	+ 18
Highlands & Lowlands	81	+ 6
Hampton Areas	200	+ 5
Northern Mining	158	+ 18
Pengkalen	115	+ 25
Renong Tin	190	+ 30
Western Mining	321	+ 11

FALLS

Matthews (B.)	150	− 7
Polymark	126	− 6
Sangers	53	− 4
Wettern Brothers	60	− 10
Bearcat	380	− 90

Chancellor to launch drive to encourage moderate pay claims

BY RICHARD EVANS AND PETER RIDDELL

A DRIVE to encourage moderation in pay claims in the wage-round starting in late summer will be launched shortly with a series of speeches by Sir Geoffrey Howe, the Chancellor of the Exchequer.

Ministers will try to steer discussion towards lower settlements than in the current wage-round. There is a desire in Whitehall, however, to avoid specifying any pay norm now, in view of the dangers of stirring up early public opposition.

The limit for public-sector pay in the 1981-82 round is likely to be less than the current theoretical ceiling of 6 per cent.

The campaign of persuasion will be launched after the special meeting of the Cabinet to discuss economic strategy, to be held at 10 Downing Street on Wednesday, June 17. The meeting was agreed by the Prime Minister after pressure from a number of Cabinet ministers.

The significance of the meeting was being played down yesterday in Whitehall where it was pointed out that a similar strategy review took place last summer. Many Conservative MPs however regard the meeting as a concession

Right-wingers are alarmed at the increased pressure they believe Cabinet "wets," particularly those in charge of major spending Ministries, will be able to exert before decisions are taken on next year's round of public spending cuts.

The meeting is intended to review the state of the economy rather than to take decisions. The prospects for public and private sector pay are high on the agenda, along with the outlook for interest rates where the chances of an early cut have virtually disappeared.

Sir Geoffrey will outline the latest official view of the economic outlook. The Treasury is still preparing new forecasts. The latest indications are that the projections will not be very different from those published at the time of the March Budget and will indicate a gradual recovery in output from now onwards.

The meeting will be separate from the usual annual review of spending plans but Sir Geoffrey's paper to the Cabinet will emphasise that if there is to be any scope for significant tax cuts over the next two or three years then public spending must be cut below currently planned levels.

Officials are working on options for possible cuts. While there may be a preliminary discussion at the economic committee of the Cabinet in July, ministers generally will not start to discuss the scope for cuts until after the holidays. The main decisions will be concentrated into a short period in October when there may also be a special meeting of the Cabinet, on economic policy.

In the row after this year's Budget, when Cabinet "wets" were furious at learning details of the Chancellor's measures only hours before they were presented to Parliament, Mrs Thatcher firmly rejected the idea of a meeting of the whole Cabinet before key Budget judgments were reached.

She remains opposed to this idea, partly because of her conviction that details are certain to be leaked and partly because she fears undue pressure could be put on the Chancellor's initial proposals.

Her Cabinet critics are convinced they are winning the argument over policy formation, and that more special meetings will be held after the example set on June 17.

The reason for Mrs Thatcher's change of mind appears to be the growing difficulty which Treasury ministers are facing in gaining agreement on spending cuts. The hope is that resistance will weaken once the overall picture, including Tory manifesto pledges, is presented.

The Prime Minister will also have a stronger hand in demanding loyalty from her colleagues once she has allowed her critics their full say.

The possibility that this could be a high-risk strategy was evident yesterday from the jubilation among Cabinet "wets" about the opportunity they would now have to project their views more effectively. before the full Cabinet where Mrs Thatcher is often in a minority on economic issues.

Bundesbank plea to curb German public spending

BY KEVIN DONE IN FRANKFURT

HERR KARL OTTO POEHL, President of the Bundesbank, West Germany's central bank, warned the Government yesterday that recent conditions on the capital and foreign exchange markets had not been "far removed from a crisis of confidence."

In the strongest language he has yet used in public to characterise the growing deficit in public expenditure and what he sees as Bonn's failure to bring public spending under control, Herr Poehl said the Bundesbank should not be made "the scapegoat for the failures and omissions of others."

His remarks, made at the annual meeting of the Deutsche Genossenschaftsbank in Frankfurt come as the Social Democrat /Free Democrat coalition in Bonn is beginning to realise that the construction of the 1982 budget later this year will be a severe test of the two parties' ability to hold on to the reins of power.

The plan for this year's German Federal budget put before the Bundestag, the West German Parliament, this week shows an incrase in federal expenditure of DM 6.5bn (£1.35bn)— 7.2 per cent more than the original draft drawn up last year—to DM 231.2bn.

The increase is being met almost entirely from extra borrowing of DM 6.3bn, which will push the amount of new debt incurred this year to DM 33.8bn.

Herr Poehl said that the current state of financial and economic policy making was such that one felt inhibited about not using the word "crisis."

"I cannot understand that in such a situation there is still talk of new expenditure such as subsidies for loan programmes and house-building programmes," he added.

Her Poehl said that the maintenance of confidence in the Federal Republic was an important task not only for the Bundesbank but also for the State and for the two sides of industry.

"Without confidence in the D-Mark we will not get lower interest rates than other countries nor will we be able to hold lower inflation rates."

If the Bundesbank was left to play this role alone, the consequences would be correspondingly more serious for the economy.

Budget battle threatens Bonn coalition, Page 2

Retreat by Lloyd's on divestment Bill ruling

By John Moore

LLOYD'S OF LONDON failed yesterday in its challenge to a key ruling by a House of Commons committee studying the private Bill of Parliament for improving the insurance market's self-regulation.

Lloyd's will now have to take wider measures than it expected to eliminate conflicts of interest within its market. This will cause more upheaval in Lloyd's in what will be the greatest period of change in the market's 300-year history.

Lloyd's challenge arose out of a decision last month by the Commons committee, under the chairmanship of Mr Michael Meacher, Labour MP for Oldham W.

The committee had said that Lloyd's Bill, its first major legislative change in over 100 years, "ought to be amended so as to provide for complete divestment between brokers and underwriters and also preclude managing agents acting as members' agents, and that this should be done within five years of the Bill receiving the Royal Assent."

Mr Peter Boydell, QC, counsel for Lloyd's, told the committee yesterday that Lloyd's would seek approval from its 20,000 members for a complete divorce

Continued on Back Page

French shares drop by 3.6%

BY TERRY DODSWORTH IN PARIS

THE FRENCH BOURSE reacted with extreme pessimism yesterday to indications that the new Socialist Administration might emerge from the forthcoming legislative elections with a working majority in Parliament.

In the worst day's trading for a fortnight, shares lost about 3.6 per cent of their value, with some leading stocks falling by the maximum amount of about 10 per cent permissible before trading has to cease.

Companies on the Governments' nationalisation list, such as the Thomson electronics group and Dassault, the aerospace concern, were among the hardest hit.

The main influence behind the new wave of selling was a weekend opinion poll suggesting that France's left-wing parties could have a majority large enough to push through some of their more controversial policies.

Over the past two weeks the bourse has steadied a little after the panic which set in following the election of President Francois Mitterrand.

Many investors took the view that the Parliamentary elections would lead to the return of the current right-wing majority, which would act as a brake on the Socialist Government. They thought policies such as the sweeping nationalisation programme would then be almost impossible to implement.

The weekend poll, however, although coming two weeks before the first round of the legislative elections, has renewed fears that the Bourse could be dismembered.

Some brokers have been privately arguing that, without the hopes of a check on the left, the Bourse could fall much further, losing up to another 15 points compared with the Paris stockbrokers index of 86.3 at the weekend. This pessimistic view is based on analyses of the impact of the Socalist' nationalisation plans, which, it is calculated, could cut at least 20 per cent, and probably more, off the Bourse's capital value.

On the foreign exchange markets the franc continued to hold its own yesterday, although it dropped slightly against the D-Mark from FFr 2.379 on Friday to close in Paris at FFr 2.382.

Influenced by hopes of a reduction in U.S. interest rates, the French currency hardened against the dollar to FFr 5.538 compared with FFr 5.543 on Friday.

Dealers say strong West German statements in support of the franc, combined with the tough foreign exchange controls introduced by the Government, have steadied the currency for the time being.

David Marsh writes: In London the dollar was generally firm, finishing at DM 2.3325 against DM 2.33 on Friday. But it fell to FFr 5.5525 at the London close from FFr 5.56 on Friday.

The franc strengthened particularly against sterling, which closed at FFr 11.425 (FFr 11.51). The pound shed 1.2 cents against the dollar to close at $2.0580, its lowest for two years.

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£ in New York

	May 29	Previous
Spot	$2.0720-0735	$2.0700-0715
1 month	1.05-1.10 pm	1.05-1.10 pm
3 months	2.85-2.95 pm	3.00-3.10 pm
12 months	6.80-7.00 pm	6.70-6.80 pm

German insurance group makes dawn raid on Eagle Star

BY ERIC SHORT

IN A surprising raid yesterday stockbrokers Rowe and Pitman spent £59.2m in acquiring a 14.9 per cent stake in Eagle Star Holdings, a leading UK insurance group, on behalf of Allianz Versichlungs-AG, the largest insurance group in West Germany. The brokers bought 20,415,000 shares at 290p a share.

Later in the day, merchant bankers Morgan Grenfell, on behalf of Allianz, announced that it was making a tender offer for a further 15 per cent stake (20,420,000 shares) of Eagle Star at a maximum price of 290p per share.

Eagle Star last night advised shareholders not to tender their shares. Allianz was emphatic that it is not intending to make a bid for control of Eagle Star.

Allianz has in the past five or six years been steadily expanding its operations beyond Germany, particularly in Europe, the U.S., South Africa and Australia. But so far it has only a small presence in the UK.

The offer represents the quickest means of getting into the UK market. Allianz admits that it takes far too long to build up an insurance presence from scratch in an established insurance market such as London.

Allianz had talks with Eagle Star last year over the possibilities of joint ventures and other means of co-operation. But there came to nothing. Allianz has now sought to acquire just under 30 per cent of Eagle Star, with a view to establishing co-operation.

Yesterday, Allianz officials in London emphasised that they sought friendly relations with Eagle Star. It was not asking for seats on the board, though it would like to participate in management.

Allianz had asked Sir Denis Mountain, chairman of Eagle Star, and Mr Tony Ratcliff, chief general manager, to serve o nits board of advisers.

Eagle Star, with assets of £2bn and a non-life premium income of £450m last year, is not enthusiastic about the latest Allianz move.

Sir Denis said the benefits of co-operation would be mostly for Allianz wishing to enter the UK market. Eagle Star had no wish to expand into West Germany.

It was advising shareholders not to tender their shares, firstly because the price was too low and secondly, because Allianz with 30 per cent of the capital would be in a position to exert a dominant influence on the affairs and development of Eagle Star.

The tender offer is the first to be made under the rules drawn up by the Council for the Securities Industry towards the end of last year to control the operation of dawn raids, following 12 such raids in two months.

The rules state that only 14.9 per cent of the equity of a company can be acquired by purchases on the market and any further capital must be acquired as a full-scale offer by tender. There have been sporadic dawn raids under the new rules, but this is the first tender offer following a raid.

Under the Allianz tender, holders interested in selling their shares must state their

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Aid for starch-to-protein plan

BY DAVID FISHLOCK, SCIENCE EDITOR

THE GOVERNMENT is to share the £1m cost of developing a protein-rich food made by biotechnology for mass consumption.

The National Enterprise Board (NEB) last night announced a partnership with Ranks Hovis McDougall (RHM), the bakers, to develop a process for turning starch into protein.

The Government's investment in the novel food is part of its programme for encouraging the commercial development of biotechnology, and follows its £5m contribution last year to the genetic engineering company Cell-Tech.

The new venture is the first launched by the NEB since Sir Freddie Wood became chairman early this year.

The product is an edible microscopic fungus belonging to the same family of organisms as mushrooms and truffles. It is produced by fermentation from a feedstock of a syrup of food-grade starch or sugar.

RHM scientists have a pilot plant at High Wycombe capable of making up to a tonne a week. The company has developed mechanical means for giving the mush of mycoprotein a texture so that it can be turned into passable imitations of meat or fish products.

More than 400 people participated in "clinical trials" as part of RHM's safety submission to the Government in 1978. A committee assessed the scientific evidence for the product's safety, and it was approved last summer.

The project is to be managed through a board under the chairmanship of Dr Alcon Copisarow, formerly of McKinsey's. Other board members will be Mr. Peter Reynolds, chairman of RHM, Dr Jack Edelman, research director of RHM, and Mr Christopher Bostock, representing the NEB. The chief executive will be Mr Jim Stevens of RHM.

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France seeks to reassure its allies

BY TERRY DODSWORTH IN PARIS

FRANCE'S newly-appointed Minister of External Relations, M Claude Cheysson, has forcefully re-stated his country's commitment to the EEC and a strong defence policy linked to the Atlantic alliance.

In a statement clearly designed to reassure France's allies on the eve of a round of visits which will take him to Bonn and Washington, M Cheysson also stressed the need to reach a balance of armed forces in Europe.

The Socialist Minister, who will today meet Herr Hans-Dietrich Genscher, the West German Foreign Minister, made it clear he wants to see a fresh effort to co-ordinate action in the EEC over a wide range of issues—"not just to deal with mutton."

The aerospace industry, research and textiles were all areas where European countries needed to act together, M Cheysson, a former EEC Commission, said.

Also, he added, France could not ignore the problem of unemployment. This was a reference to the Socialists' aim of stimulating the economy and starting talks with its European partners on a reduction of working hours.

M Cheysson's visit to Bonn follows talks between President Francois Mitterrand and Herr Helmut Schmidt in which the "privileged" relationship between the two countries was invoked.

But the Foreign Minister has since underlined France's common interests with other EEC countries, notably Great Britain.

In Washington, M Cheysson is due to meet Mr Alexander Haig, Secretary of State, and possibly President Ronald Reagan, on Thursday and Friday.

First impressions from the U.S. are that the Government has been pleasantly surprised by the moderation of the new French Administration, although the Socialists' strong anti-apartheid position and criticism of U.S. policies in South America may cause problems in the future.

On general arms policy, M Cheysson has gone out of his way to reassure the U.S. of France's reliability as an ally, vigorously rejecting the growth of neutralist ideas in Western Europe.

He has also adopted a strong position against the Soviet SS-20 missiles.

IRELAND'S ELECTION

Haughey fails to strike a spark

By Stewart Dalby in Dublin

THE IDEA about Irish general elections is that a good time is supposed to be had by all. The polls are usually called in the summer so people can get out on to the streets. The style of campaigning is more American than British.

There are T-shirts, funny hats, brass bands, pictures and posters, and even campaign songs. The one for Mr Charles Haughey's ruling Fianna Fail Party is so gushing, it is impossible for an outsider not to wince.

The country is small enough for party leaders to visit every nook and cranny, mostly by train and bus with the occasional lift from a helicopter. They can made their personalities count and push issues into the background. They pat small children, kiss babies, shake hands.

Campaigning in counties Donegal, Monaghan and Cavan recently, Mr Haughey looked far from happy, however. Perhaps he had forewarning of the poll in Dublin's Magill magazine that Fianna Fail and the joint opposition parties (Fine Gael and Labour) were neck and neck.

This poll gave the opposition 40 per cent and Fianna Fail 40 per cent, with 2 per cent for minorities and 18 per cent unknown. Conventional wisdom has it that this is a bad result for the Government with the election only 10 days away.

Maybe it was the bulls-eye scored by a Donegal egg-thrower. Or maybe Mr Haughey was depressed by the thought of running his men against breakaway independent Fianna Fail and Wales, as well as nine prisoners from Northern Ireland.

His party organisers did their best. The huge green, white and orange-painted campaign bus, with pictures of the Premier and slogans like "We'll win together" festooning the sides, swung into the quiet, nondescript market town of Ballymay with the loudspeakers screaming.

Ballymay, with a population of 2,500, has a majority of Protestants. An oasis for Fine Gael. There was no joy there.

Mr Haughey walked stiffly along the main street where few shopkeepers stood in their doorsteps. He did not smile a bit. He did not chat much. He just shook hands and made a perfunctory speech.

In Castleblaney he faced a small group of H-Block protesters. There were seven shouting "Unlock H-Block."

But again it was a lack-lustre performance. He shook hands like an automation "Thank you for coming out," he said. "We are determined to come and meet the people." The issues were not mentioned.

A similar story in Carrickmacross. This time there were around 12 H-Block demonstrators.

On to Drogheda. This was the last stop and once again there were a dozen or so demonstrators. Mr Haughey, who has a reputation as a good man on the stumps and is considered more charismatic than Mr Garret FitzGerald, the main opposition leader, had failed to bring his campaign alive.

It is significant that Mr FitzGerald is facing little problem from demonstrations about Northern Ireland.

Mr Haughey may have had just a bad day. More recently he has been more effusive and even made a speech in Wicklow reiterating his formula for a solution by peaceful means to the Ulster problem and stressing the importance of his initiative with Mrs Margaret Thatcher.

It is unlikely that any of the H-Block candidates will win a seat. But if the protests continue to rumble throughout the rest of the campaign, even at their present low level, they could draw support from Fianna Fail to an extent which would lose Mr Haughey the election.

FINANCIAL TIMES, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second Class postage paid at New York, N.Y., and at additional mailing centres.

Italian foreign policy hit by Government crisis

BY RUPERT CORNWELL IN ROME

ITALY'S latest government crisis is causing severe problems for the country's foreign policy, particularly in the preparation for the two forthcoming summits, the European Council at the end of this month in Luxembourg and the Western economic gathering in Ottawa in July.

Sig Arnaldo Forlani, who is trying to put together a new cabinet, has already had to call off at the last moment planned talks in London with Mrs. Margaret Thatcher, the British Premier, that were scheduled for today. Important discussions at foreign minister level with Angola and Iraq have also been "suspended" because of the political uncertainties.

Doubts surround other important meetings planned this month: Italian-Japanese heads of government talks between June 11 and 13, as well as provisionally scheduled contacts with Chancellor Helmut Schmidt of West Germany and the new French Cabinet.

Sig Forlani yesterday held talks with the main political parties, but his prospects of success still look slim. All depends on the verdict of the Socialists, vital to any coalition, whose leaders will finalise, probably tomorrow, the party's line.

Should he fail, the only practical alternatives would appear to lie between a very weak administration to tide matters over until the autumn, or a dissolution of parliament and new general elections.

The Christian Democrats insisted again yesterday that they were not ready to surrender the Premiership to a member of the smaller lay parties for the first time in 35 years, whether to Sig Craxi, the Socialist leader, or anyone else. To what extent this is a bargaining position remains to be seen.

The political consultations are still largely overshadowed by the P-2 Freemasons' lodge affair. Yesterday magistrates were again interrogating Col Antonio Viezzer, the former SID (secret service) officer and an associate of Sig Licio Gelli, the lodge's fugitive grand master, in a bid to establish the extent of the latter's access to top secret documents. Sig Gelli has already been charged with political and military espionage by Rome magistrates.

Imports curb concerns Brussels

BY JOHN WYLES IN BRUSSELS

THE MANDATORY import deposit scheme imposed last week by the Bank of Italy, is causing concern at the European Commission because of its impact on intra-Community trade and because it is the third time in seven years that Italy has resorted to such protection of its balance of payments.

Formally, the Commission is seeking further details on how the scheme will work. Officials stressed yesterday that an import deposit scheme is allowed by Article 109 of the Treaty of Rome as a means of combating a sudden crisis in a member state's balance of payments.

The Treaty also says, however, that such measures must cause the least possible disturbance in the working of the common market. Although Italy has exempted energy supplies and grain from the scope of the deposits which must cover 30 per cent of goods' value, the scheme is bound to cause a great deal of disruption, not least to trade in farm products.

Italy imports about £3bn worth of agricultural foods, particularly beef and dairy products, from other EEC countries and officials expect some of this trade to be halted until the scheme is lifted on October 1.

The move is almost certain to be discussed by EEC Foreign Ministers later this month after which the Commission will determine whether to authorise the measures and on what terms.

The Commission was informed, but not consulted, about the scheme last Wednesday just before it was announced. A Brussels veto is politically out of the question, but some sign of disapproval may be given because this is the second time Italy has made such a move.

Dalsager illness blow to Thorn

BY OUR BRUSSELS CORRESPONDENT

MR POUL DALSAGER, who took over the European Commission's agriculture portfolio in January after the sudden death of Mr Finn Olav Gundelach, was reported yesterday to be "recovering well" in a Copenhagen hospital after a heart attack. He is expected to need several weeks' convalescence before rturning to work.

His illness is another blow to the smooth functioning of the Commission at a time when it is preparing crucial proposals for reforming the common agricultural policy and the balance of EEC budget spending.

Mr Gaston Thorn, the Commission president, will take over Mr Dalsager's responsibilities which are bound greatly to increase his burden of work. In addition to co-ordinating the Commission's work on the various elements of the so-called "mandate," he will now have to focus on detailed proposals on measures to reduce the scale of CAP over-production.

Although he is not the powerful political force that his predecessor was, Mr Dalsager is credited with having worked hard and effectively to master his difficult brief. His illness will be felt in the Commission as another instalment in its run of bad luck which began with Mr Gundelach's death.

Another reverse for Bonn coalition

By Roger Boyes in Bonn

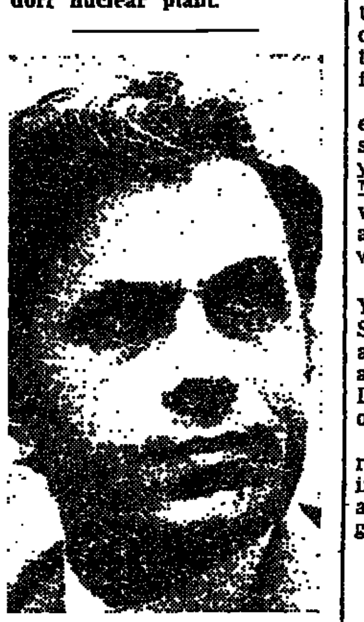
THE RULING West German Social Democrat-Free Democrat coalition yesterday received a further psychological blow from one of its regional outposts.

In the traditionally conservative state of Rhineland Palatinate, the Christian Democratic (CDU) government has offered to form a coalition with the Free Democrats (FDP), and although no final decisions have been taken the latter have declared themselves fundamentally willing to form some kind of alliance.

The move comes a day after several West Berlin FDP deputies expressed their readiness to "tolerate" a Christian Democratic Mayor, Herr Richard von Weizsaecker.

Meanwhile in Hessen, the only remaining state with a Social Democrat-Free Democrat coalition, Herr Holder Boerner, the Premier, has said that he will submit to a vote of confidence. This decision was made against a background of feuding between the FDP and, especially, the left wing of the state's SPD.... ... ...

The Social Democratic Party is also experiencing problems in Hamburg where the Herr Hans Ulrich Klose, the Lord Mayor, recently resigned after failing to persuade the city to withdraw from the controversial Brokdorf nuclear plant.



Mr Naim Khader (above), the Palestine Liberation Organisation's representative for Belgian and European Community affairs, who was assassinated yesterday in Brussels. He was walking from his apartment in the Ixelles district to the PLO mission when he was shot five times by a man of "Mediterranean appearance." The PLO accused "the Israeli secret service" and this was immediately denied by the Israeli embassy in Brussels. Mr Khader was wel-known in Belgian diplomatic circles and was involved in European discussions on the Middle East. He had headed the PLO mission in Brussels, since it was opened five years ago.

Venezuela steps up claim to Guyanese territory

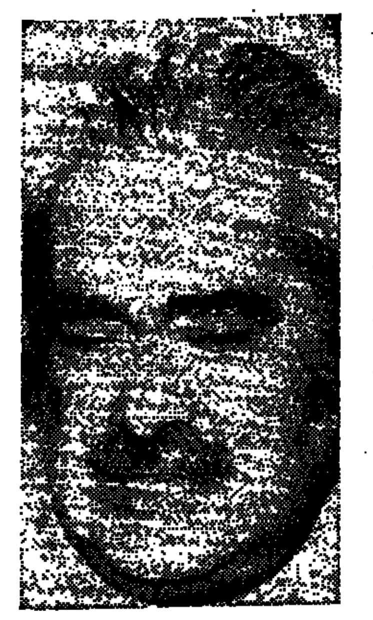
BY HUGH O'SHAUGHNESSY, LATIN AMERICA CORRESPONDENT

VENEZUELA is stepping up its claim to sovereignty over a large slice of Guyana, and is sending a strong diplomatic team to London at the end of the month led by Dr José Alberto Zambrano, the Foreign Minister.

Jamaica, on the other hand, is attempting to convene a conference of friendly governments to back Guyana against claims which would divest it of more than a third of its land area. Surinam also has a claim to land in the east of Guyana. If the two claims were admitted, Guyana would be reduced to a narrow sliver of land inland from Georgetown, the capital.

The Christian Democratic Government of President Luis Herrera Campins has been under pressure in Caracas in the Press and from some politicians to end the arrangement under the 1970 Port of Spain protocol, signed by Britain and Venezuela. Under this the Venezuelan claim was frozen until 1982.

Military and civilian spokesmen in Caracas see Guyana's continuing relationship, with Cuba as a possible threat to Venezuela. Earlier this year Sr Isidoro Malmierca, Cuba's Foreign Minister, visited Georgetown and reassured President Forbes Burnham of Cuban support for Guyana's cause.



Sr. Herrera Campins: under heavy pressure.

Although the personal relations of many Commonwealth Caribbean leaders with President Burnham are cool, most of them oppose the Venezuelan claim. Guyana is also seeking support from the non-aligned movement in whose activities President Burnham has taken an active part.

The Burnham Government has forfeited much international support because of his domestic policies and what many observers see as persistent rigging of elections and discrimination against the East Indian community.

The Guyanese President visited Caracas in April for talks with President Herrera but these proved inconclusive. On his return to Georgetown he said he would not cede "one millimetre" of Guyana's territory.

Diplomats in Caracas, however, suggest that some understanding could be reached on the basis of an adjustment of Guyana's territorial waters. At present the territorial waters of Guyana and of Trinidad and Tobago meet and separate Venezuela's maritime areas in the Orinoco delta from the Atlantic.

More savings groups merged

BY IAN HARGREAVES IN NEW YORK

TWO MORE U.S. savings and loan associations were forced by Federal Government watchdogs into mergers yesterday, but the prospect of early agreement on a broader plan to shore up the home mortgage industry has faded.

The two asssociations — the equivalent of British building societies—which were rescued yesterday are in the states of New York and Illinois. They will be taken over by larger and stronger institutions from within the same states.

The associations are the New York and Suburban Federal Savings of Scarsdale, New York, and Financial Security Savings and Loan of Elk Grove Village, Illinois, with assets respectively of $511m and $61m.

But the hopes of Federal regulators responsible for forcing these mergers for rapid agreement on a safety-net programme for the entire industry have receded.

This follows a weekend Cabinet decision not to back a scheme proposed by the Federal Reserve for a large increase in the amount of funds for the watchdog agencies involved and for the power to impose rescue mergers across state lines.

Pressed yesterday in a Los Angeles newspaper interview by Mr Donald Regan, Treasury Secretary, is that a major supply of bail-out funds, which would have been used to buy low-yielding assets from the hard-pressed institutions, is undesirable on both philosophical and budgetary grounds.

Mr Robert McNamar, Mr Regan's deputy, said in another newspaper interview that the Treasury favoured a scheme to supply temporary letters of credit to struggling savings and loan associations.

The difficulties of the associations have been growing over the past two years, but have again reached crisis point because of a renewed period of high interest rates. This means the institutions must pay much more for their funds than they are able to recoup in interest on mainly fixed-rate mortgages.

The associations are also still restricted from paying more than very uncompetitive rates for depositors' savings, which has led to a record outflow of their funds in both March and April.

The Federal Savings and Loan Insurance Corporation, the regulatory body for the associations, had a total of 246 of the country's 4,400 savings institutions listed as being in poor condition at the end of March.

Individual savers are not at risk in the current difficulties of the associations as the Government has maintained its commitment to protect their interests.

U.S. modifies Namibia strategy

BY DAVID BUCHAN IN WASHINGTON

THE REAGAN Administration has modified its initial strategy linking an agreement by South Africa to let Namibia become independent with withdrawal of cuban troops from Angola and some sharing of power in Angola with Western-backed guerrillas.

The conclusion that the Reagan Administration has changed its stance under pressure from black Africa and from fellow-Western partners in the Namibia negotiations emerges from a comparison of public remarks by Mr. Alexander Haig, U.S. Secretary of State, last Friday, with leaked documents of an earlier date.

The Secretary of Stae said in St Louis last week that there was "an empirical relationship" between the fate of Namibia and Cuban and Russian presence in Angola.

"Although we intend to proceed unilaterally along the lines toward Namibian independence, we cannot ignore this empirical relationship," he said.

This view—that the situations in neighbouring Namibia and Angola inevitably affect each other—is the line the U.S. has taken in most recent discussions with Britain, France, West Germany, and Canada.

Mr Haig's recent remarks contrast sharply with State Department documents published yesterday by the New York Times. In the latest of a series of leaks of papers on sensitive U.S.-Southern Africa policy, the Times quoted from a February memo by Mr Chester Crocker, Assistant Secretary for African Affairs.

The memo suggested a formal link between a Namibian deal, on the one hand, and Cuban withdrawal and a place in power in Angola for Mr Jonas Savimbi, who leads the UNITA guerrillas against the Luanda Government.

Free and Social Democrats may go to war over social security, writes **Jonathan Carr**

Budget battle threatens the Bonn coalition

THE West German Government's budgetary problems have emerged as the biggest single threat to the cohesion of Chancellor Helmut Schmidt's Bonn coalition. This may surprise those who have watched the recent battles within Herr Schmidt's Social Democrat Party over nuclear missiles for Nato — an issue on which the Chancellor has publicly staked his political future. But what is euphemistically called in Bonn "The need to consolidate state finances" contains more potential explosive for the alliance between the Social Democrats and liberal Free Democrats than any foreign policy problem.

Over the next few months the Government partners have to agree on how federal income and expnditure will be brought closer to balance in the 1982 budget, which comes before parliament in the autumn. That will require not just a few cuts here and there but some major structural changes. This, in turn, implies a collision course between the Social Democrats who will fight tooth and nail against any assault on the highly developed (and hugely expensive) social security system, and the Free Democrats, who see possibilities of key savings in exactly this sector.

The operation will have to be carried on against a steady drone of criticism from the independent Bundesbank (the central bank) which feels that the level of government debt is one major reason why West German interest rates have to remain high, thus further postponing an economic upswing, and fierce attacks from the opposition Christian Democrats, who speak of "catastrophic economic consequences because of the state financial crisis."

To maintain some perspective, it must be said that West Germany comes very well out of international comparisons—for example relating public sector debt to gross national product. Further, while the West German Government's debts have more than quadrupled over the past decade, those of the Laender (the provincial states, a majority of which have Christian Democrat governments) have almost tripled. The Christian Democrats have a majority in the Bundesrat (the second chamber of the Bonn parliament whose agreement is essential on tax issues). In other words, if overall public sector finances are in a mess, the Christian Democrats cannot pose as a wholly innocent party.

That does not imply there is no problem for Bonn. Since the shock of hyperinflation in the Weimar era, the Germans have been exceptionally sensitive to any sign of financial laxity—including a rise in state borrowing which in most other industrialised countries would (at least until fairly recently) have caused few to bat an eyelid. They see a rise in the federal Government's net credit intake from DM 1.4bn (£292m) in 1970 to nearly DM 34bn (on present estimates) this year. They note that last year the Government obtained some DM 20bn or about one-third of its gross credit need from abroad—mainly from the oil-producing states. They are (rightly) told that if the trend continues, the Government will in a few years be using up all its new credit to repay the interest on its previous borrowing. And they have the feeling that this is not the kind of mess Germans should be getting into—no matter what fiscal conjuring tricks are being performed in other countries.

It is also true that the present Government lost a golden opportunity after the general election last October. It won an increased majority and, had it takes advantage of the public mood, it could have made much greater savings than the DM 1.8bn (compared with a 1981 budget total of DM 231bn) it finally produced after much huffing and puffing. The day of reckoning now seems to be at hand.

That said, it would be wrong to suggest that Herr Hans Matthoefer, the Finance Minister, is a spendthrift. He has been much criticised because the Government's net borrowing requirement last year totalled DM 27.1bn instead of the DM 24bn he said he was aiming for. He is also being attacked because federal budget expenditure this year will be more than 7 per cent higher than the 1980 figure, instead of about 4 per cent as he had intended, but in the medium-term finance planning of 1979 (set every year for the coming four years), the 1980 net credit need had been estimated at as much as DM 28.2bn.

Further, a rise this year in budgetary expenditure of only a nominal 4 per cent would imply a cut in real terms (given an inflation rate of about 5 per cent). In other words, Herr Matthoefer set himself highty ambitious aims—some would say over-ambitious, since a real cut in government expenditure is not necessarily the best medicine in an economic recession.

It is also worth looking at the reason why the Government's net credit estimate has risen so sharply this year (to DM 33.9bn from the DM 27.4bn projected only a few months ago).

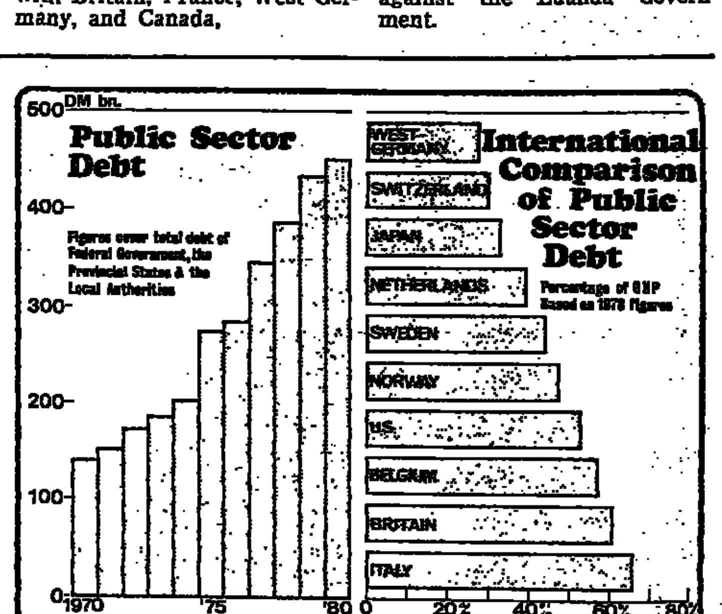
Of that rise, well over DM 4bn goes to the Federal Labour Office to meet the bills caused by the larger number of unemployed.

This is a payment to which the Government is legally committed. It can be significantly reduced only by cutting the total of unemployed (which hardly lies in the Government's power alone) or by chopping back the level of unemployment benefit (which could probably be done only over the bodies of the Social Democrats).

Another DM 510m in credit is needed to finance the additional bill caused by higher interest rates. True, if the Government could cut its borrowing markedly, interest rates might decline (with some help from the United States where rates are very high and influence the West German level). But, in the meantime, the Government must borrow more because of the high rates—a vicious circle indeed.

Another DM 820m goes for defence—notably to meet increased fuel costs and the bill for the Tornado combat aircraft. It is certainly arguable that the Defence Minister should have done his sums better in the first place. On the other hand, the U.S. is demanding further defence efforts from its allies—and optically (at least for those who cannot see beyond their noses), the new DM 820m is a step in that direction. Another DM 350m goes on aid to Poland. Could the Bonn Government afford to pay this, from the finance policy viewpoint? Could it afford not to, from the foreign policy viewpoint? Foreign policy won.

The single ray of light in the gloom would be an economic upswing, cutting state expenditure on unemployment and increasing government revenue. That hope is not as forlorn as it may sound. But it will not come in time to influence the budgetary battle going on within the coalition this summer. The upshot of all this could eventually be a more sound basis for West German state finances coinciding with the long-awaited start of the economic upturn. But there are plenty of big hurdles to clear before that—and it is always possible that they will not, in fact, be cleared.



Finance Minister rules out tax increases

BY OUR BONN STAFF

THE West German Parliament today begins a major debate on the 1981 budget, but the political to-and-froing will be overshadowed by a gathering storm over the 1982 financing.

Herr Hans Matthoefer, the Finance Minister, said yesterday that the 1982 budget would prove to be an acid test for the Bonn coalition of Social Democrats and Free Democrats. The pressing demands of defence spending, the high interest rates that are imposing considerable costs on government borrowing and the increasing burden of unemployment and social welfare benefits have created an especially acute political and financial problem.

The Minister yesterday ruled out the possibility of raising more revenue by increasing taxes, but, in an interview, he deliberately avoided the explosive issue of cutting social welfare spending, including child benefits.

This prospect was raised at the weekend by Herr Hans Dietrich Genscher, the Free Democratic Party chairman, and already social democrat politicians, who are particularly committed to the welfare state, have begun to talk of a serious conflict in the coalition.

The Finance Minister, however, stressed that the coalition would survive the budget negotiations in early September, though the drafting would be difficult. He stressed that, while money has to be saved in 1982, funds also have to be set aside to guarantee West Germany's competitiveness: that is to say, mainly in the field of innovation and research.

The state and industry had to co-operate to consolidate the micro-electronics sector.

Otherwise, he said, the "employment destroying effects of microelectronics will be felt in West Germany while the employment-fostering effects will be felt in Japan and the U.S."

By contrast to the bitterness already surrounding the 1982 draft budget, the debate on the 1981 budget promises to be less disturbing. Although there has been some disagreement in the coalition—Herr Genscher would have liked to impose cuts in social welfare cuts in the current budget rather than in next year's—the Government is expected to carry the vote.

Marsh dividend

Marsh and McLennan Companies of New York, which owns C. T. Bowring, the London insurance broker, yesterday declared a quarterly dividend of 50 cents per share on outstanding common stock, payable August 12 to shareholders of record July 13 1981, writes our Financial Staff. This quarterly dividend is at the rate established in the first quarter of 1981, which continued Marsh and McLennan's record of dividend increases each year since becoming publicly owned in 1962.

William Chislett, recently in San Jose, reports on the much-needed agreement reached with the IMF

Costa Rica draws back from the brink of bankruptcy

"We have got our credit card back and we had better use it carefully otherwise it will be taken away from us and then we will be in deep water."

Thus spoke Sr Emilio Garnier, the new Finance Minister of economically troubled Costa Rica, which this month, unless anything unforeseen happens, will receive the first urgently needed disbursement under its painfully negotiated $320m facility with the International Monetary Fund.

The Fund's directors are due to give formal approval for the facility by the middle of June, after a year of protracted and, on both sides, exasperating discussions. During that time the Costa Rican economy, traditionally the most buoyant and stable in turbulent Central America, has gone from bad to the verge of bankruptcy.

In May the central bank, which has virtually exhausted its dollar reserves as a last resort sold $42m-worth of gold reserves. Inflation this year is at least twice last year's 18 per cent and the colon has been devalued by over 100 per cent.

Why has this happened? The short answer is that prices for Costa Rica's major export, coffee, are depressed, its oil bill is rising sharply, the Government has continued to spend beyond its means, and a great deal of mismanagement has occurred.

"We are not given to violence," says President Rodrigo Carazo, right, of Costa Rica. For the past 32 years his country has been a haven of peace in turbulent Central America. But over the past year—since the last agreement with the IMF broke down—the economy, traditionally the most buoyant and stable in the isthmus, has gone from bad to near bankruptcy.

The Fund recommended that Costa Rica devalue its colon when the present Government took office in May, 1978. Many inside and outside the Government agree that that should have been done long ago. Only last December was the colon allowed to float.

On the desk outside the office of Sr Garnier, appropriately enough an accountant all his life until he took up his first Government post as minister on May 12 (after two other finance ministers had quit), was a pile of congratulatory telexes from foreign banks.

The banks, with an exposure of $875m, have nervously held off from making any more loans to Costa Rica since last October.

Now that the deal with the Fund has been clinched, and in the nick of time, the door is open for the country to resume international borrowings. A collective sigh of relief has been breathed.

Sr Garner intends to put his professional experience to good use by auditing the Government's books very carefully, so that Costa Rica does not fall foul of the fund again. The previous facility was cut off in April 1980, after Costa Rica broke the conditions of an agreement. No money was paid out then, and the new arrangement took a year to negotiate.

"We were approaching an economic collapse," said Mr. Richard Beck, an industrialist who represented Costa Rica's private sector in the recent negotiations, an unprecedented step. At no other time in the Fund's history has a non-government person, specifically representing the private sector, been brought in on negotiations.

The private sector became so concerned at the speed with which the economy was descending into chaos, and the effects this might have on Costa Rica's legendary political stability that it put pressure on the Government to include it in the talks. At first the fund did not like the idea but, in retrospect, Mr. Beck said, found it a "worthwhile" experience.

Costa Rica, one of Latin America's very few fully fledged democracies, is an island of peace in tempestuous Central America. Guatemala and El Salvador are effectively undergoing civil wars and Nicaragua, which borders Costa Rica, had a bloody revolution two years ago.

"Now there is room for optimism. The Government has come out of its ivory tower," said a Western diplomat.

The preventive medicine, however, will be hard to swallow for a country whose consumer expectations and concern for social welfare are high. The Fund's conditions include considerable constraints on public spending, overhauling the tax system, reducing price controls and subsidies, and keeping wages below inflation. Hard-core unemployment, 5 per cent last July, now stands at 7 per cent and is expected to rise to 10 per cent by the end of the year.

Costa Ricans are a peace-loving people (the army was abolished in 1949 and there are more teachers than policemen), but the Fund's conditions are bound to intensify the social tensions which still exist.

It may be only coincidence, but Costa Rica experienced its biggest bank robbery in May, when Colones 500,000 (£13,000) was stolen, and in March a U.S. marine was seriously injured in a bomb attack, the worst such incident since the brief civil war in 1948.

Since then, a very tolerant society has grown up, with a literacy rate of 94 per cent and a life expectancy of 71, exceptional even by industrialised nations' standards

The time is certainly ripe for extremists to capitalise on the country's economic woes. And if Costa Rica were ever plunged into politically motivated violence the Government would be hard pressed to stamp it out. Its only forces are the national and rural guard, few of whose members have military training.

President Rodrigo Carazo, however, appears not at all worried. "We are not given to violence," he told me when I expressed amazement at how incredibly easy it was to enter the presidential home. There were two guards and nobody searched me as I walked straight through into his office. Where else in this violent world could that happen?

Habib to return to Middle East this week

BY DAVID BUCHAN IN WASHINGTON AND DAVID LENNON IN TEL AVIV

THE U.S. special envoy to the Middle East, Mr Philip Habib, will return there this week to resum his mediation in the crisis between Israel and Syria over Syrian missiles in Lebanon.

A State Department official who said Mr Habib's return would be "mid-week," said there was no time limit set for the U.S. mediation attempt.

He had been asked about the warning earlier yesterday by Mr Menahem Begin, Prime Minister of Israel, that time was running out for Mr Habib to succeed.

Mr Begin said yesterday that Mr Habib's mission had achieved no practical results so far. There was a limit to how long Israel could wait for him to resolve the crisis with Syria, he added.

Israel was giving Mr Habib more time, but there was a limit." It is impossible to carry on the talks back and forth with no practical results."

The Syrian missiles remained in Lebanon, and Mr Habib had been unable to get a commitment from the Syrians not to fire the missiles on the border with Lebanon at Israeli planes, he went on.

Mr. Begin also said that Israel was paying "close attention" to the continuing Syrian military build-up.

"We do not want war with Syria, we will not attack Syria. But if Syria attacks, we will reply in kind."

Some military officials here say that Syria is apparently preparing for war, but Mr. Mordechai Zijjofi, the deputy Defence Minister, said yesterday that while the Syrians are talking very aggressively about the situation in Lebanon, they were being very careful not to become involved with Israel.

Israel Radio yesterday quoted unnamed military officials as saying that Libya was air-lifting weapons to the Palestinian guerrillas in Lebanon to replace those destroyed by Israeli air attacks.

Beirut faced with total collapse of security

BY IHSAN HIJAZI IN BEIRUT

IT IS becoming increasingly clear that security in Beirut has totally broken down. The authorities have failed to check the mass killing of civilians in indiscriminate bombardment of resdential areas in the Lebanese capital and its suburbs.

The latest truce broke down yesterday as Syrian troops of the Arab Deterrent Force and Lebanese leftist militias on one hand, and Lebanese army units and Christian militias on the other, continued to trade artillery shells across the line dividing Christian and Moslem sections of the city.

During the 24 hours up to early yesterday evening, 25 people had been killed and about 300 wounded in the shelling. "Wholesale killing continues unabated," the state-controlled radio reported.

The violence is destroying whatever is left of life in this country. On Sunday shellfire rained on the public beaches in Moslem and Christian sectors, sending people rushing back home in panic. The beaches were completely deserted and yesterday schools and businesses were closed.

The capital's streets were deserted. The city looked as big a ghost town as it did during the worst days of the civil war five years ago.

In the two months since the latest round of clashes erupted, 500 people have lost their lives, while scores have been wounded and mutilated.

According to officials at the American University Hospital, of 35 people who went to the university's beach on Sunday, six had to have their legs amputated after the shelling.

IBM seeks talks over 12-year anti-trust battle

BY IAN HARGREAVES IN NEW YORK

INTERNATIONAL Business Machines and the U.S. Justice Department yesterday rested their cases in their 12-year-old anti-trust tussle, but resolution of the dispute still seems to be some way off.

IBM did reveal, however, that *the company has formally* written to Mr. William Baxter, assistant Attorney-General, requesting a meeting to discuss the case.

Judge David Edelstein set June 10 for a conference at which Mr Baxter has been invited to take part. The Judge said the court would travel to Washington from New York for the meeting if that suited Mr. *Baxter.*

IBM hopes that the softer tone adopted on anti-trust issues since President Reagan took office will work to its advantage in getting a settlement of the Justice Department case, which has developed into a classic example of the way U.S. agencies have sought over the years *to break up the power of some* of the country's leading industrial groups.

There is a strong body of opinion which says that the Government should be encouraging a company as strong as IBM, not seeking to break it up. But there has so far been no sign from Mr Baxter, who heads the Justice Department's anti-trust division, of any application of *this thinking to the IBM case.*

Saskatchewan disputes federal energy taxes

BY VICTOR MACKIE IN OTTAWA

SASKATCHEWAN'S provincial government has decided to challenge the constitutional validity of sections of the Canadian federal Government's national energy programme.

Mr. Roy Romanow, Saskatchewan's Attorney-General, announced yesterday that the provincial cabinet had agreed to go ahead with the challenge in the Saskatchewan Court of Appeal. Mr. Romanow told reporters that he expected the case to be heard by the autumn.

The province plans to refer about 40 questions of law to the court. Mr. Romanow said the main point would be that *federal taxes intrudes on a* section of the British North America Act which prohibited one level of government from taxing another.

The province will be arguing that the federal petroleum and gas revenue tax, which takes 8 per cent of defined well-head revenues, *and the natural gas revenue* charge, which takes 30 cents per 1,000 cubic feet, are unconstitutional in that they are taxes on crown corporations.

The Saskatchewan Power Corporation, the sole distributor of natural gas in the province, has been collecting the tax since it was announced in the federal budget last autumn. The *money* is being held in trust

30% devaluation reported by Argentine agency

BY HUGH O'SHAUGHNESSY

ARGENTINA is reported to have devalued the peso by 30 per cent. The local news agency, Noticias Argentinas, carried the report yesterday, citing senior economic officials. Earlier the Economy Ministry in Buenos Aires had denied responsibility for a report in *the conservative daily news*paper La Nacion to the effect that the economy was in danger of collapse.

Last year the trade deficit amounted to $2.4bn (£1.11bn) *up from the $1.1bn the previous* year. This was principally due to increased imports spurred by what many saw as an artificially high exchange value of the peso.

A major devaluation of the peso earlier this year combined with the acession to power of General Roberto Viola at the end *of March was seen in some* quarters as giving a boost to a flagging economy and some inward capital flows were noted. Recently, however, sentiment in the Euromarkets turned *against Argentina.*

Yesterday morning the foreign exchange market in Buenos Aires was closed and later the city's stock exchange suspended dealings in Argentine *Central Bank bonds.*

At the end of last week, following the report in La Nacion, there was a run on the peso. Between Thursday and Friday the rate went from 3.240 pesos to the dollar to 3.400.

OVERSEAS NEWS

Way open for new Chinese leader

BY TONY WALKER IN PEKING

DENG XIAOPING, the Chinese vice-chairman and dominant politician, appears to have squashed opposition to leadership changes he is proposing. The way is now apparently open for an important meeting of the Chinese Communist Party central committee, due around the middle of this month, at which Mr Hua Guo-feng, the party chairman, is expected to be demoted.

Arrangements for the forthcoming party plenum appear to have hardened in the past few weeks, and preparatory meetings are believed to be in progress in Peking to put finishing touches to a package of expected changes, including the appointment of a new chairman and party general secretary.

Mr Deng almost certainly faced stronger than expected opposition from party traditionalists in his plan to instal Mr Hu Yaobang, his protege, in the chairman's job, nominally held by Mr Hua. Mr Hua is expected to step down at this plenum, possibly to a position of one of a number of vice chairmen.

Mr Hu Yaobang, the 67-year-old party general secretary, is apparently regarded as being too abrasive, and perhaps too liberal, by old guard officials and some top generals. Indications are that much of this opposition has been overcome, although to achieve its aims, the Dengist faction appears to have made concessions to the party's Left wing on questions of Maoist ideology and a heightened role for the military.

At the weekend, Mr Deng pointedly told a visiting Yugoslav officials that there was no power struggle in China today and leadership changes were part of a natural process. He noted there had been a lot of speculation about China's internal situation.

Diplomatic observers here interpreted Mr Deng's remarks as a signal that progress had been made in resolving outstanding differences. They believe the way is now clear for the plenum which is also expected to deal with the vexed question of a judgment of Mao's contribution to the revolution in the 25 years before his death.

China's leadership is believed to have settled on a formula which blames the late chairman for some mistakes but gives him great credit for his role in the founding of the People's Republic.

If Mr. Hu is elevated to the chairmanship, the party general secretaryship will be left vacant. A name being mentioned as a candidate for that job is Mr Peng Chong, the former mayor of Shanghai.

Mr Peng may be one of the compromises the Dengists have had to accept as a price for securing the chairmanship. He holds a prominent position in the party secretariat, the body which runs day-to-day affairs.

Diplomatic observers in Peking caution against making firm predictions about the forthcoming plenum. They point out that signals emerging from the leadership in the first months of this year have been confusing.

Late last year it was being confidently predicted a meeting would be held no later than February to resolve the leadership question.

AP reports from Islamabad: Mr Zhao Ziyang, the Chinese Prime Minister arrived yesterday from Peking and was greeted by President Ziaul Haq, the entire Cabinet and the chiefs of the Army, Navy and Air Force.

Hu Yaobang: Deng's protege.

First English-language daily on sale

COMMUNIST China's first daily English language newspaper, an eight-page broadsheet, went in sale yesterday in Peking and other cities, our Peking Correspondent writes.

China Daily, a sister publication to People's Daily, the Communist Party newspaper, will be distributed to tourists and Chinese.

The front page of the first edition carries a mixture of domestic and foreign news, some of it supplied by Western news agencies such as the Associated Press of the U.S. and Reuters.

The lead article is the funeral invitation extended by the Chinese Government to Taiwanese relatives of Soong Ching Ling, Sun Yat Sen's widow, who died last week of leukaemia.

Other front-page stories include the assassination of President Ziaur Rahman of Bangladesh and offers of a free flight home to Chia-Chia, Britain's male panda who failed to stir the romantic interests of Ling Ling at the Washington Zoo.

The newspaper had a print run of about 25,000 for its first edition. Mr Feng Xilian, the managing editor hopes circulation will build to 50,000 by the end of the year.

China Daily will be distributed throughout the country's tourist centres. It will also be available in Tibet, now the destination for a steady trickle of foreign visitors.

Taiwanese turn down invitation from Peking

BY OUR PEKING CORRESPONDENT

TAIWANESE leaders yesterday turned down an invitation from Peking to attend the funeral tomorrow of Mme Soong Ching Ling, sister-in-law of the late nationalist leader, Chiang Kai-shek.

China yesterday confirmed that the President of Taiwan and the widow of Chiang Kai-shek had been invited to attend the funeral.

Peking, in its continuing diplomatic shadow play with Taiwan will not be surprised by the refusal. Diplomats in Peking see the invitation to tomorrow's funeral as part of Chinese attempts to maintain diplomatic pressure on the Government in Taipei.

A Western diplomat said yesterday it was one of a number of "gestures" over the past several years in which China has sought to open links with Taiwan with the aim of securing reunification on its terms.

In the past several years, as part of its diplomatic offensive, Peking has said it would allow free trade with Taiwan, open the way to sporting exchanges and facilitate the movement of mail between the two countries.

Taiwan has shown no interest in any of these "gestures" which are aimed at presenting China in the light of peacemaker.

Bank of Israel governor attacks State policy

BY DAVID LENNON IN TEL AVIV

THE GOVERNOR of Israel's Central Bank, the Bank of Israel, has accused the Government of squandering a golden opportunity to reduce the country's triple digit inflation. He has drawn fire from the Finance Minister, who accused him of indulging in politics on the eve of the General Election.

Mr Arnon Gafny, the governor, warned that the present halt in state-controlled price rises was no solution for inflation. On the contrary, he said, it will mean accelerated increases in the near future.

The governor asserted that in 1980 the growth in inflation had been halted and conditions were created under which it could have been reduced, but this opportunity was wasted by the Government.

The main fault was that demand had not been kept down along with prices, he said.

Mr Yoram Aridor, the Finance Minister, reacted yesterday by claiming that the Bank of Israel was becoming politicised. He was particularly incensed by criticism of his policy of selective price cuts on consumer durables.

Earlier this year, Mr Gafny described this policy as "election economics" and the Minister responded then by taking the unprecedented step of excluding the governor from a Cabinet discussion on tax cuts.

The bank governor delivered his criticism of Government policy when he presented the bank's annual report which is always published on May 31.

It is usual for the governor to assess the Government's performance while presenting the report and the previous Finance Ministers have accepted this as part of the governor's duty.

Saudis urge joint ventures

By James Buchan

SAUDI ARABIA's chief concern in its dealings with foreign companies is to achieve a true transfer of technology, **Dr Ghazi Algosaibi**, *the Saudi Minister of* Industry and Electricity told a conference in London yesterday.

Speaking on the first day of the conference on "The Role of International Companies in Saudi Arabia's Development Plans," sponsored by the Jeddah newspaper, Saudi Gazette, and the non-profit making Avicenna Foundation and organised by the Financial Times, Dr Algosaibi said that some 3,000 foreign concerns had been involved in Saudi development in the past 10 years.

The Minister said that there was bound to be a certain conflict of interest between the companies' private aims and the host country's development goals and there had been complaints both about inappropriate technology and inadequate training. Foreign companies should also realise that the Saudi legal system, different as it is from Western codes, is not, for that reason, inferior.

There is, he said, great benefit on both sides to be gained from joint-ventures and there are now some 1,500 in operation in the Kingdom though some of these could be more flexible in their structure and operation.

Dr Feisal al Bashir, the Saudi Deputy Minister of Planning, pointed to the greater role to be played by the Saudi private sector in correcting structural imbalances in the Saudi economy—most notably its dependence on exports of crude *oil and imports of foreign manpower*.

Mr W. Jack Butler, Chairman of Mobil Saudi Arabia, which is involved in 12 joint-ventures with the Government and private interests in the Kingdom said that the Kingdom's east-west pipeline, which will start operating in July, will serve as a unifying link in national development. He said that output from the Kingdom's joint-venture petrochemical and refining ventures most of which will start in 1985, will reshape the pattern of trade between Saudi Arabia and the industrial world.

Mr Abdulaziz Alzamil, Chief Executive of the Saudi Basic Industries Corporation which is the Saudi public sector parter in seven petrochemical ventures, said that the world chemical industry need not fear disruption in the market when these projects come on stream. Saudi exports will be equivalent *to only 4 per cent of the world* market or one year's natural growth.

The conference was chaired by **Dr Mansour Al Turki**, a former Saudi deputy minister of finance, and president of Riyadh University, and Lord Selsdon, chairman of the UK Committee for Middle East Trade.

Thais look for Hanoi move over Kampuchea

By Kathryn Davies in Singapore

VIETNAM AND Thailand are to hold two days of talks in Rangoon, the Burmese capital, starting tomorrow amid speculation that both sides are trying to break the deadlock over Kampuchea which has caused a breakdown in relations between them.

Diplomats believe that Thailand could be making a last-minute bid to persuade the Hanoi Government to take part in a UN-sponsored international conference on Kampuchea scheduled to be held in New York next month.

Vietnam has consistently categorised the New York conference as an unwarranted interference in Kampuchea's internal affairs and, together with the Soviet Union and most other Eastern bloc countries, has said it will boycott it.

Despite its tough anti-Vietnamese line, the Thai Government is aware that there is now some unease among its Western allies, most notably Australia, about Bangkok's continuing recognition at the United Nations of the Pol Pot regime (known as Democratic Kampuchea) rather than the Heng Samrin administration in Phnom Penh, which is supported by the Vietnamese. There is also a growing suspicion that a united front opposed to Hang Samrin and made up of Pol Pot, Prince Sihanouk and some anti-Communist Kampucheans is unlikely to get off the ground.

In return for Hanoi's appearance at the international conference, Thailand and some, if not all, of its South East Asian neighbours might be prepared to offer observer status to the pro-Vietnamese Heng Samrin Government. For its part, Vietnam has recently hinted that it is prepared to withdraw at least some of its 200,000 troops from Kampuchea in return for a United Nations presence there.

A more pressing issue for the two Deputy Foreign Ministers in Rangoon is the Thai threat to repatriate all 110,000 Kampuchean refugees in camps in Thailand back across the border, where they might be co-opted by anti-Vietnamese forces.

Vietnam's army is currently in a state of alert along its border with China. If Hanoi does not appear flexible during the Rangoon talks, Thailand might feel that it has a freer hand in dealing with the refugees, in spite of widespread opposition to their repatriation from international relief workers.

In the run-up to the Association of South East Asian Nations (ASEAN) Foreign Ministers' meeting in Manila later this month, the talks between Vietnamese Deputy Foreign Minister Vo Dong Giang and his Thai counterpart Arun Bhanupong could mark significant progress towards a settlement.

New Zealand current account deficit up 75%

By Dai Hayward in Wellington

IN WHAT the New Zealand Reserve Bank describes as a "rapid deterioration," the country's current account deficit has jumped nearly 75 *per cent in the past six* months. At the end of April the deficit was NZ$793m (£307.9m). Last November it stood at NZ$468m.

The main cause for the big increase has been a big jump in the cost of invisible spending, which more than wiped out the surplus on New Zealand's trade.

Although export earnings were NZ$742m at the end of April, they were less than half *the cost of invisibles. Another* big worry for Prime Minister Robert Muldoon, who is anxious to present a picture of an improving economy for the November election, is that the country's export boom appears to have levelled off, in fact. Last November the trade surplus was NZ$935m and by April it had fallen to NZ742m.

Chittagong revolt collapses as 'Manzur is held'

BY K. K. SHARMA IN NEW DELHI

THE Bangladesh army rebellion which began with the assassination of President Ziaur Rahman on Saturday collapsed yesterday and the leader of the revolt has been arrested, the Government *said last night*.

The official Bangladesh news agency said in a despatch from the port city of Chittagong, where President Zia was killed, that the rebel chief, Major-General Abu Manzur, had been arrested.

But while the immediate threat of a civil war, which loomed large for a few days, has been averted, there is no indication that the political crisis that began with the President's assassination has been resolved.

There is no obvious successor to President Ziaur Rahman who ruled Bangladesh since 1975 and allowed no opposition. The present acting President, Mr Abdus Sattar, is at best a temporary stand-in.

Life in Dacca is reported to be normal while the garrison in Chittagong, which is the country's main port, and where the only oil refinery is located, has been placed under the command of a loyalist general.

Bangladesh is quiet but tense and there is considerable uncertainty about the future. Expectations are that the army will remain the main political force, but there may be difficulty in keeping rival generals and Ministers together.

The main reason for the short-lived rebellion was the feeling among some generals that President Zia had followed a soft policy towards India.

This impression is not shared in New Delhi, where officials point out that a virulent "hate India" campaign had been whipped up in Bangladesh in the past few weeks.

Apart from the general feeling that India is a dominant giant in the sub-continent and thus to be feared, the two main issues that disturbed the Bangladeshis are the sharing of the Ganges waters in the dry season and the rival claims over New Moore Island in the Bay of Bengal.

In New Delhi, there is considerable relief that the rebellion has been crushed. General Manzur had announced, immediately after the assassination, the abrogation of the 20-year friendship treaty with India and that he would forcibly occupy New Moore Island. There is some disquiet, however, over the possibility of a long spell of instability and the strengthening of anti-Indian sentiments.

Mystery group bombs S. African party offices

BY QUENTIN PEEL IN JOHANNESBURG

THREE offices of the Progressive Federal Party, South Africa's leading white opposition party, were attacked with petrol bombs in Johannesburg yesterday, as festivities to mark the 20th anniversary of the South African republic reached a climax with a massive military display in Durban.

Responsibility for the petrol bombs, which severely damaged one office and destroyed an art gallery display window below another, was claimed by a previously unknown organisation calling itself the South African *Liberation Support Cadre*.

In a statement delivered to news agencies, the organisation attacked the PFP for supporting the Republic Day celebration "which has been boycotted by the overwhelming majority of South Africans," and accused the party of representing "the richest and most privileged sector of South African society."

The attacks appear to be the latest manifestation of the anti-Republic Day campaign, in which a police station has been attacked and two railway lines and a military recruitment office bombed. The exiled African National Congress has claimed responsibility for the previous attacks, but not for the latest.

However, the military parade in Durban, in front of Mr P. W. Botha, the Prime Minister, went ahead without any apparent hitch. More than 8,000 men and women, as well as hundreds of military vehicles, guns and missiles, were paraded through the centre of the city in a deliberate display of South Africa's considerable military power.

Apart from a fly-past by Mirage jet fighters, and Impala jet trainers (based on the Italian Aeromacchi), the parade included batteries of Cactus missiles (based on the French Crotale), South Africa's home-made version of the "Stalin Organ" multiple rocket launcher, and locally-developed armoured vehicles such as the Ratel, the Buffels and the Olifant tank (based on the British Centurion).

Bani-Sadr 'violated ban on provocative statements'

BEIRUT—President Abolhassan Bani-Sadr of Iran was accused yesterday of violating Ayatollah Khomeini's ban on provocative statements in Iran's simmering power struggle between moderates and clerical fundamentalists, an official said.

Mr. Hojatoleslam Mohammad Yazdi, the spokesman of the three-man commission the Ayatollah set up to arbitrate disputes between the liberal President and the clergy-backed Prime Minister Mohammad Ali Rajait said the commission found the president has not logically and suitably dealt with problems, Tehran Radio reported.

Although the President might say that he was defending himself according to evidence in possession of the commission, no responsible officials had acted illegally in connection with the President and he had not been insulted, said Mr Yazdi, also a deputy from the central holy city of Qom.

Mr. Yazdi also accused Mr Bani-Sadr of refusing to sign the Majlis (Parliament) ratification of the appointment by supervisors to Ministries, which proves he is acting at variance with the constitution, the radio quoted him as saying.

Mr Bani-Sadr repeatedly has blocked the appointment of Mr. Rajai's nomination of foreign minister, the post vacant since the Prime Minister formed his Cabinet last summer.

Mr Yazdi said the commission had decided to introduce "the offender" to the people and to hand in the evidence to the office of the public prosecutor, Tehran Radio reported. It was not clear whether this means Mr Bani-Sadr would be prosecuted.

Ayatollah Musavi Ardabili, Iran's Prosecutor-General, said last April it was likely the President would be tried if evidence proved that his speech at a May 5 Tehran University rally touched off the fighting in which more than 40 persons were injured.

The President's supporters were reported to have cracked down during the rally on pro-Rajai hecklers and several victims lodged formal complaints with Ayatollah Ardabili's office, holding the President in person responsible for their injuries.

It was not clear whether Mr Bani-Sadr's May 5 speech was among the statements censured by the arbitration commission, which is made up of representatives of Ayatollah Khomeini, Mr. Bani-Sadr and Mr. Rajai.

AP

E. Germany in talks on £404m plant deals with Tokyo

BY LESLIE COLITT IN EAST BERLIN

EAST GERMANY is still negotiating to buy complete plants from Japan worth some $850m (£413m) after signing contracts with Japanese companies last week worth $237m. The signings took place during the visit to Japan of Herr Erich Honecker, the East German leader.

On his return from Japan, Herr Honecker said further agreements to purchase chemical and microelectronic plants are in line.

The East Germans are negotiating with Toyo Engineering to purchase a $500m oil cracking plant to be built at Schwedt on the Oder, where East Germany refines its imported Soviet oil.

In addition East Berlin is interested in buying a turnkey factory to produce audio systems and electronic components from Toshiba worth $250m.

A consortium of Mitsui and Nippon Steel is bidding against strong competition from Western Europe to build a cold rolling steel mill valued at some $100m.

Japanese trade sources said differences over prices, credit terms and the nature of counter purchases from East Germany have held up the contracts.

Last week East Germany completed a deal with Marubeni to buy a $182m iron foundry for the East German truck industry and with C. Itoh to supply a plant worth $55m to produce clutch parts.

East Germany is to pay for the factories with exports of machine tools and electrical engineering goods. West German companies are also involved in the iron foundry as subcontractors.

East Germany and Japan also signed a trade and navigation treaty providing for most favoured nation treatment. Herr Honecker spoke of doubling trade between the two countries by 1985.

East Germany's new economic links with Japan do not represent a shift away from Comecon but they do spread even further the remaining 20 per cent of East Germany's trade with western industrial nations. Ten per cent of that trade is regularly conducted with West Germany.

East Berlin is seeking to gain Japanese oil refining technology to allow it to raise the volume of oil products it obtains from Soviet crude.

World air fares may rise by up to 5%

By Michael Donne, Aerospace Correspondent

THE WORLD'S major airlines start a two-day meeting in Geneva today which is expected to result in a request for governments' approval to raise all fares by amounts of up to 5 per cent.

The meeting, under the aegis of the International Air Transport Association (Iata), is also likely to put forward some major proposals designed to help the airlines overcome their financial difficulties.

These have stemmed primarily from soaring costs, especially of fuel, landing and other airport charges, and labour, at a time of recession when traffic growth has slackened considerably with actual falls in traffic on some routes, especially in the U.S.

At today's meeting, which will be under the chairmanship of Mr Adam Thomson, chairman of British Caledonian, the 100-plus airlines attending will identify the main areas of difficulties, and set up working parties to study them in more detail.

By Wednesday, they expect to have arrived at a consensus on the best way of handling their problems.

Rhys David, Textiles Correspondent, reports on moves by EEC textile industries

Last-ditch bid to toughen MFA stance

NATIONAL TEXTILE industries in the EEC are making a last-minute bid to stiffen what they see as the European Commission's rather weak position on the re-negotiation of the Multifibre Arrangement (MFA).

The Commission's negotiating mandate for the international talks under the aegis of the General Agreement on Tariffs and Trade (GATT) will be settled this month by the EEC Council of Ministers. The MFA provides the framework for world textile trading.

A similar regional strategy position by Third World sectors of the industry are to be taken up over the summer in a Hong Kong meeting. A general MFA meeting is to take place in Geneva July 13.

The British Textile Confederation has claimed that the Commission has not devised a coherent policy. The European textile industry is being asked to take too many important trade matters on trust, it said.

The BTC's judgment is contained in a point-by-point analysis of a Commission paper delivered to the EEC Council in April, together with other Commission documents covering trade with the EEC's Mediterranean associates and developing countries linked to the EEC in the Lome Convention.

The industry's argument with the Commission is over both details and tactics.

In their document Brussels officials have deliberately left out the actual figures they envisage under the new MFA as the global ceilings for imports of certain products, and they have not fully listed the products to which such ceilings might apply.

At the same time, the Commission, while pointing out that EEC growth in consumption of textiles may only be 1 per cent per annum, does not go on to say how it believes the growth rate allowed to imports should reflect this.

The British Textile Confederation has claimed that the Commission has not devised a coherent policy. The European textile industry is being asked to take too many important trade matters on trust, it said.

It also fails, in the BTC view, to supply enough detail on the question of cutting back big suppliers to create more room for newer and poorer suppliers.

The EEC Commission has been decidedly reluctant to commit itself to a defined programme of the sort demanded by the BTC and its European counterparts, for what it regards as sound policy reasons.

The Commission itself would clearly prefer to retain as much negotiating freedom as possible and not be tied down by too specific a mandate. At the same time the individual member countries themselves have not wanted to be seen taking the lead in putting forward MFA demands.

This would seem to apply particularly to Britain which, in the last negotiations in 1977, made most of the running, winning for itself a reputation in the developing world as Europe's main exponent of textile protectionism.

On this occasion a much less public approach is being adopted, with officials from the Department of Trade, the main Ministry involved, feeding proposals into the Commission and holding bilateral discussions with other European countries in the hope of building a consensus.

With other EEC countries also holding back, industry hopes of a detailed public statement from the Council of Ministers this month setting out the Commission's mandate seem likely, therefore, to be disappointed. The Commission seems most likely to be sent away to negotiate what it has set out in its paper, though its negotiators will also have been told what their sticking points should be.

The danger in this low-key approach, as seen by the UK textile industry, is that if the Commission is not publicly tied to certain points, it will give too much away.

At the same time, however, it would appear to lessen the other risk of the talks breaking up almost before they start because of entrenched positions on both sides.

In contrast with 1973 and 1977 when the agreement was previously negotiated the developing countries have, on this occasion, set about co-ordinating the response they will offer to the developed countries' demands.

Britain favours a mechanism whereby supplying countries which themselves shelter behind very high tariff barriers could be treated less favourably than others, such as Hong Kong, which have open markets.

Just as important, however, the EEC's relatively flexible stance appears to offer a pointer to the type of agreement which may eventually emerge. Complete re-writing of the MFA is beginning to look increasingly unlikely, with the Americans in particular anxious to secure a quick agreement and warning that any attempt to unpick parts could lead to the collapse of the whole.

Without U.S. support, the EEC is likely on its own, to find it difficult to push through proposals for tightening up the basic MFA document.

Instead, the text of the agreement, as in 1977, may well be left virtually untouched, including the provision for a minimum 6 per cent growth rate. As happened four years ago, however, provision to deal with specific problems in the importing countries could be included in one or more protocols attached to the agreement.

The "reasonable departures" clause in the 1977 agreement, in fact, allowed the EEC to negotiate growth rates substantially below 6 per cent for some sensitive products.

If this course is adopted, items which the EEC would want to see incorporated in new protocols would be provision for suppliers at different stages of development to be given differing growth rates—a device intended to allow the poorest countries better access to developed markets.

Britain favours, too, a mechanism whereby supplying countries which themselves shelter behind very high tariff barriers could be treated less favourably than others, such as Hong Kong, which have open markets.

Commons appeal Page 10

Liberty plans to set up Japanese joint venture

BY DAVID FREUD

LIBERTY, THE fashion and fabrics retailer, announced plans yesterday to set up a joint venture with a large Japanese retailer to exploit the Japanese market.

The proposed link is with Seibu Department Stores, part of the Seibu Group, which claims to be the biggest retailing organisation in Japan and last year had sales of more than £3½bn.

The deal would lead to a greater range of Liberty prints being sold from Seibu stores, manufactured in either Japan or Hong Kong.

Liberty has been collaborating with Seibu for the past three years and sells about £1m of goods through the Japanese retailer. Under the deal just signed this turnover will be pushed up over the next two years.

Subsequently, probably in the autumn of 1983, it is planned to establish a joint venture company, owned 51 per cent by Liberty and 49 per cent by Seibu.

Liberty's pre-tax profits totalled £2m in the year to January 31 1979, falling to £½m in the subsequent year and £74,000 in the 12 months just completed.

Without an increase in loan capital and a fall in working capital—mainly stocks—there would have been a cash outflow of about £400,000.

It is understood that Seibu will provide 100 per cent of the finances to set up the planned joint venture.

Liberty's previous attempt to break into the Japanese market was through the Kanebo retailing group between 1972 and 1975. This was on a royalty basis, but Liberty ended the relationship because going through the Japanese distribution network pushed the price of its goods to very high levels.

Seibu has already formed several joint ventures with European and U.S. companies, including the French company Hermes.

Turkey's exports show 44% rise in four months

BY METIN MUNIR IN ANKARA

THE TURKISH Government's campaign to boost exports seems to be succeeding as exports in the first four months of this year rose by more than 44 per cent over the same period last year, and were valued at $1.3bn.

This has led Mr Turgut Ozal, the Deputy Prime Minister, to predict an annual export figure for 1981 of more than $4bn. Exports last year totalled $2.9bn and were targeted at the beginning of the year to become $3.8bn in 1981.

Since the major policy reorientation of January last year away from detailed state regulations the Government has issued a large number of decrees designed to encourage exports.

Exporters can retain up to half their hard cash earnings and benefit from loans which, at 21 per cent, are about a third cheaper than other medium-term loans. More recently, the Central Bank has started announcing the parity of the Turkish lira on a daily basis, ensuring the exporters that the lira will not be overpriced

Turkish manufacturers seem to be concentrating exports to the Middle East and Gulf and North Africa.

Breakdown by commodity groups show that while agricultural exports remain prominent, a significant increase occured in industrial exports, in the first four months of this year these were $550m or 77 per cent higher than the comparative figure of last year.

Textiles were the single biggest industrial export category at $210m. Cotton yarn amounted to $70m and rugs and carpets to $30m. Readywear exports jumped to $57m from $26m.

Agricultural exports, which account for the majority, were 24 per cent higher at $725m. Cotton, tobacco and fruit and vegetables were the biggest items in this category.

Israeli exporters to get Government compensation

BY L. DANIEL IN TEL AVIV

ISRAELI exporters are to receive a one-off compensation payment from the Government for their indusrial sales in Europe during the period between March and May, the Ministry of Industry and Trade announced.

The payment, at the rate of 5 per cent on a product's added value, is being offered because of the decline in export profitability consequent upon the weakening of European currencies against the U.S. dollar.

The Government is also to offer exporters exchange rate insurance to reduce risks arising from currency fluctuations. But the exporters will have to pay premiums at commercial rates.

These moves take place against the background of a reduction in real terms of 10 per cent in the value of Israeli exports over the first four months of this year.

● The Israeli Government will start soon the construction of a $40m rail spur of 44 kms from the phosphate mines of Nahal Zin to the Dead Sea Works at Sodom.

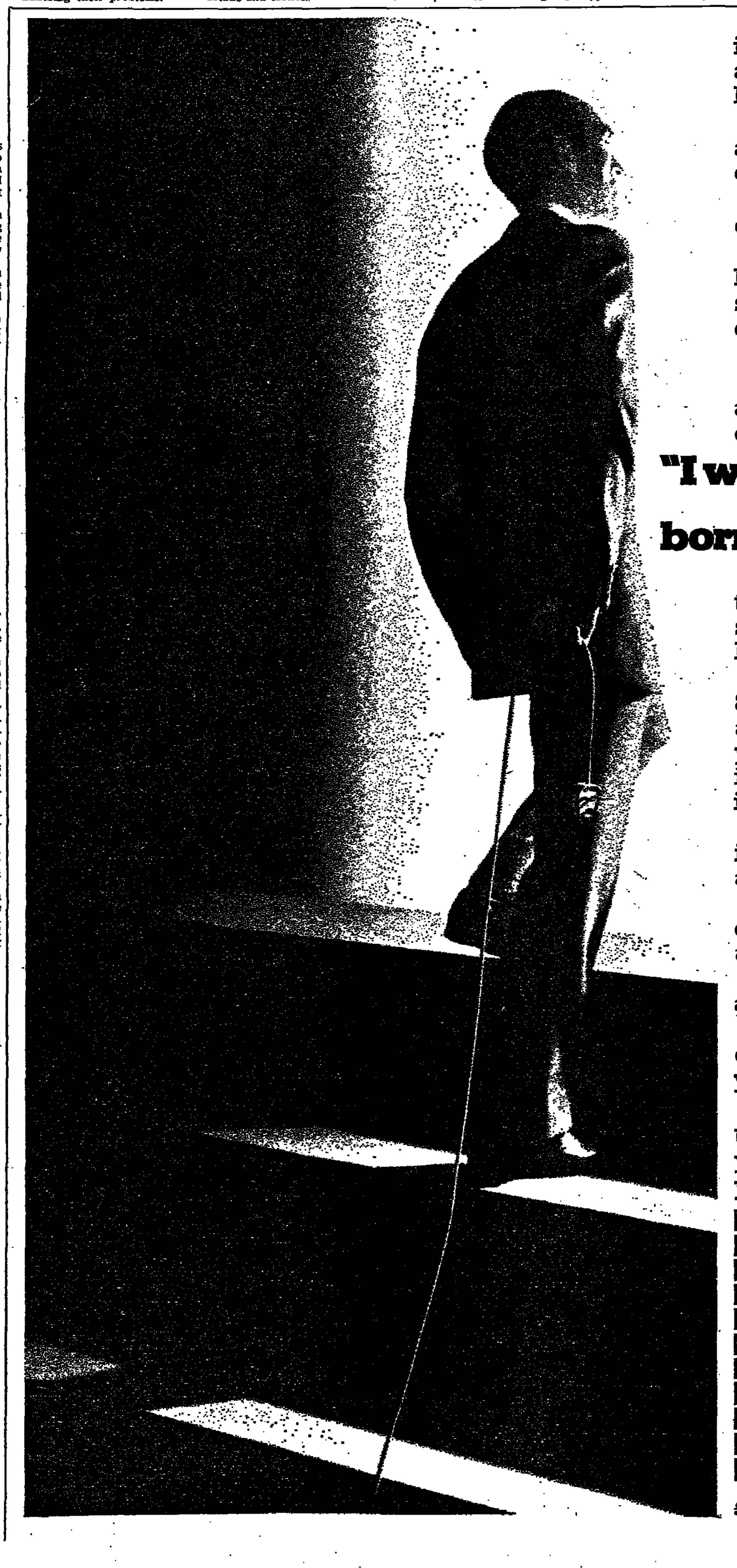
West Africa tariff cuts

THE LEADERS of 16 West African countries meeting in Freetown, Sierra Leone, have pledged to eliminate trade barriers between their countries by 1989, David Williams reports from Freetown.

They made the declaration at the end of a two day meeting of the Economic Community of West African States (ECOWAS) which groups all the nations of the sub-region.

It is hoped that a progressive reduction in tariffs will boost intra-regional trade from its present low level of 5 per cent of total trade.

The community, which groups 150m people, has been strained recently by non-adherence to some of its basic principles including the right of free movement between member states.



Committee formed to help Co-ops in trouble

By David Churchill, Consumer Affairs Correspondent

A TOP-LEVEL committee to advise struggling retail co-operative societies in the tough high street trading conditions is being set up by the leadership of the co-op movement.

The six-member committee comprises senior officials from the Co-op Union — the umbrella body for the co-op movement — the Co-operative Wholesale Society and the Co-operative Retail Services.

The CRS traditionally takes over retail societies in trouble. It has a turnover of more than £800m a year.

Details of the committee were revealed at the Co-op Union's congress in Edinburgh yesterday by Mr Howard Perrow, told delegates that the idea of the committee was to "form a common co-ordinating approach to consider current issues and problems facing the movement."

It is understood that the committee would give retail societies in trouble a clear idea of the options open to them. This would include mergers with neighbouring societies — in line with the movement's plan to create over 30 large regional societies instead of almost 180 at present — or possibly merging with the CRS.

The committee is being formed to give troubled societies the best advice at the earliest opportunity. However, any decision on potential mergers still rests with the members and Boards of individual societies.

In the past the independence of some retail societies has prevented mergers taking place until forced to do so by their financial position.

About eight society mergers have taken place in the past year, and a further six are in the pipeline. Other merger talks are likely to be held this year because of the slump in retail spending.

Principles

Earlier, a rallying call to the 10.4m members of the co-op movement was made by Mr Hedley Whitehead in his presidential address.

Mr Whitehead told delegates that the movement had an important social role to play in the 1980s and should return to the first principles of co-operation.

However, he believed that the movement had lost sight of its social aims in the fight for economic survival in the high street.

"Survival could be bought too dearly," he said. "Let us now devote our hearts and minds to making sure that it is the highest co-operative ideals that survive—not a mere replica of any one of a dozen familiar high street names."

Mr. Whitehead suggested that part of the co-op dividend might be diverted to help relieve youth unemployment. He also suggested that, with many public services being reduced, the movement could use its surplus funds to aid the community.

He said co-operation in all forms was "back in vogue." The time was right, therefore, "to break out of the vicious circle of purely economic considerations, to stand back and appraise the quality and purpose of the co-operative way of life."

He believed that unless the co-op movement re-examined its social policies, "we may succeed in maintaining a significant stake in UK retailing, but on basically no different terms from any of our most prominent competitors."

Loan scheme leads to competition

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A MEASURE of competition opened up yesterday between the major clearing banks and the Industrial and Commercial Finance Corporation for business under the Government's new small business loan guarantee scheme.

Within a few hours of the Government launching the scheme as a three-year pilot venture, rates of between 16.4 per cent and 19.4 per cent were announced.

Arrangement fees will vary from a maximum of £100 to £1,000 for the loans which can range up to £75,000 and last for two to seven years.

Lloyds and National Westminster emerged as the most competitive. The most expensive was the Industrial and Commercial Finance Corporation, which is owned by the clearing banks and the Bank of England and which specialises in small business financing.

The scheme was announced by Mr John MacGregor, junior Industry Department Minister responsible for small businesses. He said institutions should be able to back "more marginal but potentially viable propositions."

Most sectors of the economy are covered by the scheme including manufacturing, construction and retailing distribution businesses. There are exclusions such as banking, education and training, estate agents, postal and telecommunications services, and pubs.

There is no precise definition of the size of businesses which will qualify, although it was said yesterday that large companies would be refused loans.

The aim of the scheme is to see whether banks are too restrictive and unimaginative when dealing with small businessmen. Advocates of the scheme believe it should enable banks to lend to businessmen who are unable or unwilling to provide personal guarantees as security, who have no track record, or who have very high risk ventures.

The Government will guarantee 80 per cent of each loan. The bank involved will provide all the funds and will guarantee the remaining 20 per cent. Personal property will not be taken as security, but business assets will be accepted.

Small business lobbyists gave the scheme a lukewarm reception yesterday after welcoming it enthusiastically when it was first announced in the Budget. They are pleased that the banks, most of which have opposed a scheme in the past, have been forced into an experiment after a five-year debate. But they are highly critical of the level of interest rates to be charged.

Mr Bill Poeton, a spokesman for the Union of Independent Companies, said many small businessmen would be put off by the high rates. Both the Government and the banks should reduce their charges.

This point was taken up later by Mr Michael Grylls (Con, MP for Surrey NW) and chairman of the Conservative Party's Small Business Bureau. He is writing to 100 UK and foreign banks suggesting that they join the scheme to increase the competition and bring down the rates.

The Government is charging a 3 per cent fee for its 80 per cent guarantee—equivalent to 2.4 per cent over the full loan. This is intended to build up enough funds to cover the costs of failures, although Mr MacGregor had to admit yesterday that the figure was a "guesstimate."

The banks are then adding their own interest rate to the 2.4 per cent. Lloyds was the lowest yesterday at 2 per cent above the present 12 per cent base rate, followed by National Westminster at 2¼ per cent and Barclays and Midland at 2½ per cent. These banks will apply their chosen rate to all their loans.

Tankers boost tonnage of laid-off ships

BY ANDREW FISHER, SHIPPING CORRESPONDENT

THE VOLUME of world merchant shipping lying idle reached its highest for nearly two years in April at 17.05m deadweight tons, according to the General Council of British Shipping.

The laid-up figure has not topped 17m dwt since July, 979, though the latest level is still well down on those before that month.

All of the April, 1981, increase of nearly 3m dwt was in large tankers, the council said. The figure for laid-up tonage was 3 per cent of total world shipping tonnage.

There were 112 tankers of 14.92m dwt lying idle at the end of April, representing 4 per cent of world tanker tonnage. On the cargo side the figure was 312 ships totalling 2.13m dwt, or 1 per cent of world tonnage in this category.

Orders for the construction of merchant ships have continued to edge up around the world, according to figures from Lloyd's Register of Shipping.

In the first quarter of this year the orderbook was up to £35.2m gross ons, from 34.6m in the final quarter of last year and 30.9m in the first quarter of last year.

More than 80 per cent of the world order-book is due for delivery by the end of next year.

The order-bok at the end of March was still only slightly more than a quarter of the rfecord level of 133.4m gross tons recorded seven years ago.

Japan, had 4.9m gross tons under construction and 8.4m gross tons on which work had not started by the end of March.

There was a 10,700m-ton fall in the UK order-book to nearly 848,000 tons. Ships under construction totalled 711,000 tons and those not started 136,000 tons.

The council's figures show 4 per cent of the UK merchant fleet was idle at the end of April.

Board restructure and marketing body for British Telecom

BY ELAINE WILLIAMS

BRITISH TELECOM is to have a re-structured board and a new organisation to market its services. The aim of the changes, announced yesterday, is to prepare it "for the new competitive environment which is to develop over the next few years."

Four new members have been designated to the board. They will take up their appointments when the British Telecommunications Bill is passed, removing British Telecom's monopoly.

The new organisation, to be called British Telecom Enterprises, will be an umbrella company responsible for a number of planned subsidiaries. These will market and distribute telecommunications equipment, such as telephones and answering machines, directly to customers.

British Telecom Enterprises will be headed by Mr Peter Benton, who is to be promoted to deputy chairman of the British Telecom board. He is presently managing director.

Others who will join the board when the Bill receives royal assent will be Mr. John Harper, who will become managing director (inland); Mr. Jim Hodgson, who becomes managing director (international); Mr. John Whyte, appointed as engineer in chief and managing director (major systems); and Mr. Iain Vallance, who will be the member for organisation and business systems.

Two seats remain to be filled on the board bringing the total complement to 12. Candidates are likely to be chosen from industry rather than from within British Telecom, as were yesterday's appointments.

British Telecom Enterprises may form links, through subsidies, with private companies. Although this might provide some finance for British Telecom Sir George Jefferson, BT's chairman, said this was unlikely to provide the large sums needed to fund the development of the telecommunications network over the next few years.

It is hoped that the new company will provide closer links and better services to customers. It will bulk buy equipment such as telephones and answering machines from suppliers, and it is possible that it will set up its own retail outlets to sell directly to the public.

However, Sir George said the major aim of British Telecom is to improve the telecommunications network and there would be opportunities to add new services after the telecommunications monopoly ended.

British Telecom is fighting to restore some of the cuts made to its 1981 capital investment programme. With a 1981 investment of just under £2bn, it calculates it will need another £500m in 1981-82.

Engineers threaten action over jobs Page 8

Burroughs makes 370 redundant in Scotland

By Mark Meredith, Scottish Correspondent

BURROUGHS MACHINES is to make 370 more workers redundant at its small business computer works in Cumbernauld New Town near Glasgow. The redundancies, to take effect in August, will leave Burroughs with 830 workers. The company, which has shed more than 800 jobs at Sumbernauld since November, said yesterday the cuts were due to depressed economic conditions in European markets.

It said the range of small data processing equipment produced at Cumbernauld was more vulnerable to market changes than mainframe computers systems.

Another cause for the lay-offs is understood to be a structuring of the U.S. based company to cut out duplication by it U.S. and UK plants.

Burroughs is still the main employer in Cumbernauld which, like the four other Scottish new towns, is competing fiercely for new industrial development. Although 1,100 industrial jobs have been lost over the past financial year in Cumbernauld, 450 industrial jobs and 400 non-industrial jobs have been created.

Move to drain part of Broads attacked

A PROPOSAL to drain 5,800 acres of the Norfolk Broads for agricultural use was attacked both on conservationist and economic grounds yesterday by the Council for the Protection of Rural England.

The proposal to drain part of the Halvergate Marshes, near Great Yarmouth, has been put put forward by the Lower Bure, Halvergate Fleet and Acle Marshes Internal Drainage Board.

Clydesdale Bank increases charges

THE GLASGOW based Clydesdale Bank, wholly owned by the Midland Bank, is to increase its service charges on personal and business accounts.

While banking will remain free for customers keeping their account in credit, a charge of 10p per debit entry will be made for customers who move into overdraft. The charge relates to cash dispensers, counter terminals and direct debit transactions. All other debits will be charged 14p.

Enterprise zone order for Corby

THE FIRST English enterprise zone, in Corby, will come into operation on June 22. The Order for it was laid before the House of Commons yesterday and there is now a three-week period for Parliamentary approval.

Only one other zone has been announced, in Swansea. This comes into operation on June 11.

Private rail siding opened by Railstore

A £400,000 warehouse and private rail siding development was opened yesterday at Gidea Park, Essex, by Mr Bob Reid, chief executive of British Rail.

The private rail siding is on the site of a freight line axed under the Beeching cuts of the 1960s. The line was reinstated after Railstore, the company which owns the site, won a £155,000 grant from the Transport Department.

Munnings in vogue with Americans

NEW YORK is making the running in the world's salerooms at the moment with records at Sotheby's in the past few days for Sir Alfred Munnings — £145,631 paid for his "Saddling Mahmoud for the Derby," pained in 1936 — and for an American Impressionist painting — "Gravesend Bay" by William Chase which fetched £398,058.

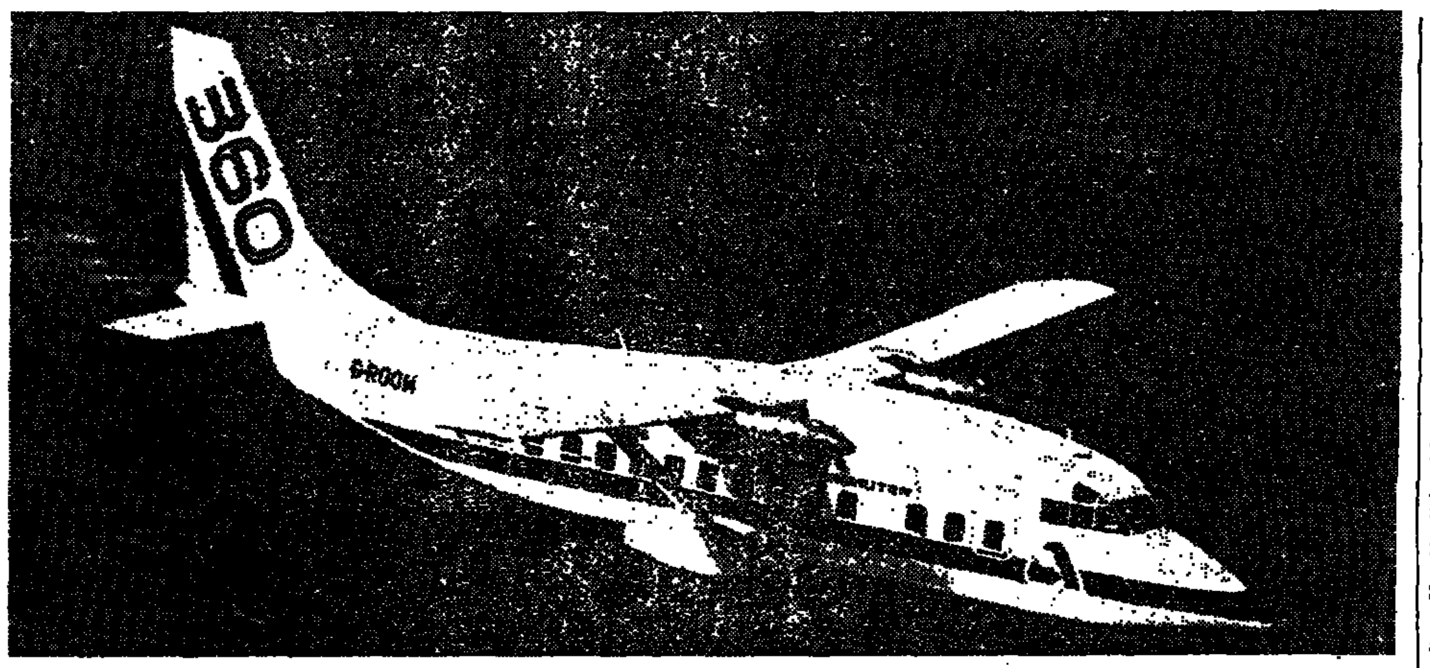
SALEROOM

BY ANTONY THORNCROFT

Yesterday, however, Sotheby's in London managed to realise some good prices. An auction of printed books relating to natural history totalled £300,620, although with more than 20 per cent bought in. A copy of Gould's "The birds of Asia," in seven volumes and 530 plates, sold to an Italian buyer for £20,000, and a Pennsylvania dealer bought the same artist's "A monograph of the Trochilidae, or family of humming birds" for £17,000. A first edition of Mark Catesby's "Natural history of Carolina, etc.," went for £16,000, and the London dealer Hammond paid £15,000 for "A history of the birds of Ceylon," by Captain Legge.

An Australian dealer, McCormick, paid £14,000 for John White's "A small collection of drawings of Australian fauna and flora,"

Seibu, the Tokyo department store, paid £40,000, plus the 11.5 per cent buyer's premium and VAT, for a Kakiemon figure of a Bijin of the late 17th century. Other high prices in the sale of Japanese works of art were the £10,000 for a pair of Kakiemon jars and covers of the same period, and £9,000 for a large Imari vase, also of the late 17th century.



First flight for Shorts commuter airliner

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE SHORTS 360 commuter airliner, pictured above, made its maiden flight successfully from the company's airfield at Belfast yesterday, six months ahead of schedule.

The twin turbo-prop airliner, designed to carry up to 36 passengers on short-range routes, will go to the Paris International Air Show later this week to start the company's major sales campaign.

So far, there are orders and options for 11 of the £1.65m aircraft from four airlines. But Shorts believes that a market for at least 1,200 exists in the short-range feeder-liner category, of which it hopes to win up to 30 per cent, or about 350-400 aircraft, through the 1980s.

For the trouble-free flight of about two hours the aircraft was piloted by Lindsay Cumming, Shorts' chief test pilot, accompanied by Peter Rankin, chief flight test engineer, and John Baille, the deputy chief flight engineer.

Sir Philip Foreman, managing director of Shorts, said the company had done so well with the aircraft in the design and development phase that it had curtailed the original schedule by six months.

This will give the aircraft a competitive edge of about two years in world markets, against such prospective competitors as the Saab-Fairchild 340, the Embraer (Brazil) Brasilia and the de Havilland Canada Dash Eight, none of which have yet flown.

Special Land-Rover launched

By John Griffiths

HOTSPUR ARMOURED Products of Neath, West Glamorgan, has launched a £1.02m venture to manufacture six-wheel-drive Land-Rovers. It has acquired all the rights to the vehicle, originally called the Sandringham-6, from SMC Engineering, of Bristol.

Initial production will be at Hotspur's existing plant, but before the end of the year manufacture will be switched to a new factory at Pendulais, near Swansea.

The project has attracted £100,000 in regional grant, with £920,000 also being injected by four institutional investors.

Hotspur envisages production of 100 vehicles this year, moving 350-400 in 1982 and annual output of 1,000 when the factory is fully on stream with 100 workers employed.

A pilot order was placed yesterday by Land-Rover, which is to help market the vehicles throughout the world.

Hotspur has two divisions and has been involved in armour plating since 1970. It developed the first armoured Land-Rovers for use by the Royal Ulster Constabulary. Current activities include armour plating for Rolls-Royce cars.

The six-wheel-drive Land-Rover was developed by SMC Engineering at a claimed cost of nearly £500,000. It was first launched in October 1979. It has a lengthened and strengthened chassis developed by FF Developments of Coventry, and a through-axle, permitting all six wheels to be driven independently. It has a 2-tonne payload against the conventional Land-Rover's 15-cwt. A significant proportion of sales is expected to be for military use.

Euro-Air to re-launch scheduled flights in Wales

BY ROBIN REEVES, WELSH CORRESPONDENT

A North-South Welsh scheduled air service will be re-launched today by Euro-Air, the charter subsidiary of the Liverpool-based Alexander Towing Group.

A comparable week-day service between Cardiff and Hawarden Airport, near Chester, run by Air Wales, collapsed just over two years ago. But Euro-Air is confident that the route can be made at least to break even.

The north-east Welsh county of Clwyd has guaranteed the service against loss up to £30,000 in its first year.

Euro-Air will use a twin piston-engined 11-seater Cessna Titan aircraft to provide an early morning and a late afternoon flight between the two centres each day. The flight will take 45 minutes, compared with more than three hours by train.

Mr. Klim Vivian, commercial manager of Euro-Air, said the company had received three times as many advance bookings as Air Wales before the first flight. He stressed that the

During its first 19 months of operation, Air Wales had carried 6,000 passengers between North and South Wales in a nine-seater Piper Chieftain. The same traffic would be enough for the new service to break even, Mr Vivian said.

● Jetsave will switch to Jumbo jets from today on its holiday charter service between Cardiff and Canada. This will enable the company to introduce transatlantic freight services on its Canadian routes.

Financial Times Conference: Energy supplies

Call for 18-month freeze on Opec prices

BY RAY DAFTER, ENERGY EDITOR

OIL EXPORTERS should freeze tariffs for the next 18 months while they reformulated their long-term pricing plans, Dr Mana Saeed Al-Otaiba, the United Arab Emirates Minister of Petroleum and Mineral Resources said in London yesterday.

Oil prices were close to a "reasonable" level and perhaps Opec should "take it easy from now on" in applying further increases, he said.

His comments, at a Financial Times Conference entitled "Energy Supplies—Feast or Famine?", provide a clue to current thinking on pricing policies among the more moderate members of Opec.

Oil ministers recently agreed in Geneva that prices should remain at present levels until at least the next scheduled meeting in Abu Dhabi in December. Dr Otaiba said he wished to go further and freeze the price until the end of next year.

He indicated that Opec might be able to achieve pricing unity by the end of next year. It is thought in the oil industry that this unity would be achieved by Saudi Arabia raising its "marker" price of $32 a barrel closer to the $36 a barrel reference price adopted by other Opec members.

A unified pricing structure is regarded in Opec as a prerequisite for the adoption of a long-term pricing strategy under which tariffs would rise gradually in line with worldwide economic growth and inflation.

Under the original long-term strategy proposals prices would have risen an average 2 to 3 per cent a year in real terms through the 1980s and 1990s. But these proposals were formulated when the average oil price was about $20 a barrel. The average price is now $36 a barrel with some African members of Opec charging $40-$41.

Dr. Otiaba pointed out that Opec ministers had called for a revision of the proposed strategy. "I feel personally we (Opec) need some time to think quietly whether it is right now to think that a price of $35 to $41 a barrel is very close to being reasonable."

A price freeze to the end of next year would give "the whole world a chance to breathe and also a chance for us to design our long-term strategy which hopefully would stop any sharp increase in the price of oil, as in 1979."

Past price increases had stimulated greater conservation effort in oil-consuming countries. There had also been a movement towards the greater use of alternative energy forms.

The United Arab Emirates was an Opec country with large reserves of oil. It was thus concerned to see a healthy oil market lasting to the turn of the century and beyond. The Emirates did not want the situation when its oil could not find a buyer.

Dr Otaiba conceded, however, that not all Opec members agreed with his pricing philosophy.

Mr John Lichtblau, executive director of Petroleum Industry Research Foundation, New York, said a move by Opec to raise oil prices by a further significant amount in real terms could prove to be "counter-productive," particularly for those countries with large crude oil reserves.

There was already strong evidence to suggest that prices were too high, said Mr Lichtblau. The West's oil demand rose to a peak of 41m b/d in 1978. This year demand would probably fall to 37m b/d.

The bulk of the decline appeared to be structural and irreversible: Japan, with a healthy economic growth rate, cut oil demand by 10 per cent last year; and West Germany with a modest economic growth, registered a 12 per cent decline in oil demand.

In the U.S., where oil demand dropped 8 per cent last year, consumption had declined by a further 6 per cent in the first four months of this year in spite of a significant rise in the Gross National Product.

If Opec did raise the real oil price significantly in the 1980s demand could fall so low that the resultant glut could cause Opec's floor price to collapse.

Mr Richard Reid, president and director of Esso Europe, said high oil prices were making alternative energy forms increasingly attractive.

"Today's apparent oversupply of petroleum must be kept in perspective; for we face a long-range energy dilemma. Those old reliables—conventionally produced oil and gas—are becoming ever-scarcer, ever harder and more expensive to find and produce, and ever more uncertain as to their availability."

Dr John Sawhill, former chairman of the U.S. Synthetic Fuel Corporation and a director of McKinsey and Company, said the current surplus of oil in the world market was a "passing phenomenon." It seemed reasonable to assume that oil supply interruptions would recur periodically in the 1990s. Developing new sources of supply and improving energy efficiency would not suffice during another oil emergency.

The U.S. must take more positive action to build up domestic oil reserves and to develop international co-operation in stock management.

Herr Detlef Wiegand, chief economist of Bergbau-Forschung, reviewing the world coal outlook, said it was possible world coal production could rise to 6bn-7bn tonnes a year by the turn of the century, against 2.9bn tonnes a year at present. World coal trade, now about 200m tonnes a year, could rise to 1bn tonnes in the next 20 years.

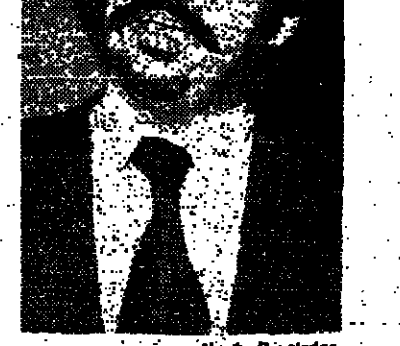
"Action must be taken now if the maximum use of the potential offered by coal is to be made."

Herr Rudolph Specks, director of Ruhrkohle, also spoke of the need for immediate action to stimulate coal production and trading.

Referring to natural gas, Mr O. C. Davis, chairman of Peoples Energy Corporation, said gas resources were extremely large and, as a result, many nations would adopt the "gas option." Gas would play an increasingly prominent role in providing an attractive alternative to oil.

Mr Thomas Boyce, director of SRI-International's Energy Centre in California, said that in spite of the oil glut, the world needed new sources of energy that were exotic, offered alternatives, and that would be productive and profitable.

The chairman for the conference, which continues today, was Mr Ian Clark, executive director of the British National Oil Corporation.



Hugh Routledge

Dr. Mana Saeed Al-Otaiba

Private surgeries chain set for launch this year

BY ANDREW TAYLOR

PRIVATE MEDICINE in the UK is set to break new ground at the end of this year when the first of a chain of private family doctors' surgeries is due to be established. The scheme will be backed initially with about £1m of private finance.

The British Medical Association said yesterday: "It will be the first time, to our knowledge, that a private organisation of this kind has been set up although there are a number of individual private family practices around the country."

The scheme is being established by Air Call, a British company which runs a deputy doctor service in conjunction with the BMA, providing a back-up scheme for national health general practitioners for night calls and the like. The company has a number of other interests unconnected with *medicine*.

Air Call expects to provide the bulk of the finance for the scheme—through the sale of its Pony Express courier service and a Jersey-based company with oil interests. The group is also having talks with a number of City institutions and other private health care bodies.

The service calls, initially, for the establishment of two private surgeries in London. Each will house six GPs, each of whom will have a maximum of 1,500 patients—1,000 fewer than the average national health GP.

Dr Michael Goldsmith, aged 32, will head the operation which it is hoped will spread to other parts of the country.

"We will be offering a wider range of sophisticated medical services than normally available to general practitioners under the NHS," he said.

"Doctors under the scheme will be available 24 hours a day —without the need of back-up services—and will offer patients appointments at times more suitable to them."

Although final costings have still to be worked out, it is expected patients will pay about £60 a year to be put on a private doctor's list which would include all surgery consultations. In addition the expected charge to patients will be between £5 and £10 for each home visit.

Patients will be offered the choice of paying an annual lump sum—generally between £20 and £30—for drugs prescribed, or paying separately on each prescription.

Doctors joining the surgeries are expected to be paid between £25,000 and £30,000 a year plus a car. This compares with an average £18,000 for a national health GP, who is reimbursed the cost of running a car but is not provided with one.

The Air Call scheme is the latest in a series of private sector ventures in health care. Previously, however, interest has been focused on private hospital schemes.

Last year the first public *flotation of shares in a private* hospital in Britain was successfully arranged by M.J.H. Nightingale, the over-the-counter market specialists.

The issue of shares in West Yorkshire Independent Hospital—the brainchild of a group of doctors in Bradford — exceeded its target of raising £300,000. The plan is to build a £3.3m hospital near Cottingley.

Since then other private hospital schemes involving British finance have followed. M.J.H. Nightingale is understood to be working on a scheme to raise funds for a private hospital in Peterborough.

A bigger thrust into the private health care market has yet to come from U.S. companies which have extensive experience of this kind of operation.

Finns join Ramsgate venture

By Our Shipping Correspondent

A JOINT venture to develop Ramsgate into a major Channel port has been set up by a British entrepreneur and a Finnish ferry company.

The new company, formed by Mr Michael Kingshott and Redoiaktiebolaget Sally, plans to spend up to £18m on building roll-on/roll-off ferry berths, a container terminal and an outer harbour wall. Further details will be issued in the next three weeks.

In a joint statement last week, Mr Ian Gill, chief executive of Thanet District Council, Mr Kingshott, managing director of Sally Line Ltd., the Finnish company's UK arm, and Mr. Sven-Erik Johansson, managing director of Rederi A/B Sally, announced the formation of the Ramsgate Harbour Development Company.

It will be jointly owned by Mr J. Kingshott and Rederi A/B Sally, and has been formed to "facilitate the substantial development of Ramsgate as a Channel port." The project will be handled by Mr Kaj Grundstrom, Sally's special projects director.

The Sally Line intends to start a cross-Channel service between Ramsgate and Dunkirk on June 15.

Stafford returns to profits table

Elaine Williams chronicles a successful potteries rescue

ROYAL STAFFORD China, which has graced tables for more than 130 years, was nearly relegated last year to being a collector's piece. But six months after a consortium of four businessmen rescued it from the receiver, the company's future looks more secure.

It has received an injection of capital, has won new orders, improved productivity, halved its workforce and is expected to make a modest profit this year. A year ago it was part of the ailing John Maddock group —a concern dogged by financial difficulties made worse by the recession which has affected *most of the pottery industry*.

The chairman of the new-look Royal Stafford is Mr. Martin Rosenhead, a business consultant who specialises in advising companies on acquisitions and disposals. His partners are Mr. Peter Coventry, an accountant who handles group finance and administration, and Mr. John D'Arcy, the former managing director of John Maddock pottery whose assets were also acquired by the consortium.

A major investor is Mr. David Quayle, a millionaire businessman who sold his do-it-yourself company B. and Q. Retail to F. W. Woolworth for £3m last year. Mr. Quayle is not on the board of Royal Stafford although he did put up £90,000 in cash and a £150,00 loan note to take a 60 per cent stake of the assets.

The rest of the £280,000 purchase price came from Mr D'Arcy who has a 20 per cent share, while Mr Coventry and Mr Rosenhead have a joint 20 per cent holding.

For this they have acquired the assets of Maddock Hotelware (a sister company to Royal Stafford in the Maddock group, which supplies tableware to the hotel and catering industry), the Royal Stafford range of bone china for the domestic market plus the two-acre site in Burslem, Stoke-on-Trent, complete with its kilns and machinery used by John Maddock.

This year Royal Stafford hopes to achieve a turnover of between £1 and £1.5m with modest profits of between £50,000 and £100,000. This week the shareholders of the company meet to discuss investment in new plants and long-term aims.

They hope to build the turnover of the company, over the next five to 10 years, to between £5m and £10m a year with the aim of taking 10 per cent of the market.

But Royal Stafford is anxious to avoid the problems which caused the collapse of John Maddock and the original Royal Stafford—overstaffing, low productivity, inefficient equipment and declining business.

From its single factory in Burslem a workforce of 100—compared with more than 200 before the Royal Stafford collapse—produces both the earthenware for the hotel trade and the bone china.

Mr. Rosenhead said the unions and workers had been extremely helpful in resurrecting the company. Those re-employed by Royal Stafford agreed to adopt a flexible method of working, switching jobs along the production line where necessary, so improving productivity.

During the Easter week, workers also agreed to continue working to fulfil an order, even though most companies in Stoke traditionally close.

Staffing levels at Royal Stafford are unlikely to grow substantially or too quickly, since the company sees the future success of the beleaguered pottery industry in a return to small concerns which were prevalent before the Second World War.

One of the first acts of the new management was to cut the range of patterns produced from 40 to only four, although the company hopes to introduce six new patterns to serve future markets.

Bone china accounts for 25 per cent of total business and will eventually grow to about a third, while the remainder is take up by hotelware. Royal Stafford's largest single customer in the hotel trade is Trust House Forte which buys nearly £200,000 worth of hotelware each year.

The company also has a three-year contract with the National Health Service. This year alone it will supply £300,000 worth of hotelware and the total contract over the period will be worth more than £750,000. Other orders average between £15,000 and £50,000.

In the hotelware market, Royal Stafford is introducing a marketing ploy believed to be unique in the industry, by offering a part-exchange deal which allows a customer to buy new patterns by trading in old designs.

In bone china it will concentrate on building a strong home market "based predominantly on traditional wholesale distributors but not forgetting the opportunities in small specialist shops and mail order," said Mr. Rosenhead.

He was adamant that, with export markets made difficult by the strong pound, Royal Stafford would accept orders only if the price provided a reasonable profit margin. "We have turned away customers because we are not willing to sell at any price but at a price which is best for Royal Stafford," he said.

Defence cuts overshadow launching of Ark Royal

BY MICHAEL DONNE, DEFENCE CORRESPONDENT

THE THIRD of the Navy's new class of anti-submarine warfare aircraft carriers is to be launched by the Queen Mother at Swan Hunter's Walsend-on-*Tyne yard today, against the* background of pending naval cuts under the defence review.

Suggestions that the Ark Royal is to be "mothballed" even before it enters service are dismissed as speculation by the Defence Ministry. But there is no doubt that, under the current spending review, all possible options are under consideration.

No decisions on any aspects of the review are likely to be *announced by the ministry* until some time in July, prior to the parliamentary summer recess.

The £250m Ark Royal is the third ASW carrier, following Invincible, which is already in service with the fleet, and Illustrious, launched in 1978 *and due to join the fleet next* year. Ark Royal is not due to enter service until 1985, after the lengthy period of fitting out following the launch.

Each of the three ships, however, is considered vital by the Navy for the defence of Britain's sea lanes

Apart from the natural concern of the admirals to protect the Navy against cuts in the number of service ships, there is much concern in parliament and elsewhere about the need to maintain adequate anti-submarine warfare defences.

Interest rate cut 'is top priority'

By Arthur Smith, Midlands Correspondent

A CUT in interest rates has the single factor most likely to improve business confidence, Mr. David Owen, the retiring president of Birmingham Chamber of Commerce, told the chamber's annual meeting yesterday.

BL's decision to halt Rover car assembly at Solihull, Birmingham, showed "neither the bad news nor the problem of continuing redundancies are yet behind us."

Any recovery in the West Midlands economy would be slow and fragile, he said. Outside events could easily disturb confidence. He cited the example of militant action by civil servants.

Failure to collect tax revenue was distorting the money supply and thereby preventing an early decision to cut interest rates — "the most important priority for the majority of companies."

Mr Owen urged the Government to hold the line on public-sector pay. He warned that further price increases by the nationalised industries would increase pressures which had all but totally dissipated industrial profitability.

The chamber's new president is Mr. John Black, chairman of Charles Barker, Black & Gross, *the Birmingham* advertising agency.

Warning on refrigerator maintenance

By Gareth Griffiths

BRITAIN could face a serious public health threat because of ageing refrigerators and reduced maintenance in food stores, a group of refrigeration contractors claimed yesterday.

The Fefrigeration and Unit Air Conditioning group, representing more than 200 contractors in the Heating and Ventilating Contractors' Association, is worried about a continuing *fall in the level* of maintenance by stores in the frozen food industry.

In a report it says that last year maintenance and repairs business in commercial refrigeration fell by between 10 to 15 per cent, while an estimated half of the country's commercial equipment was installed before the introduction of tougher British Standards Institute specifications in the early 1970s.

Mr. Mike Stanley, former chairman of the refrigeration group, launching the report, said that because of the aged and ailing refrigeration equipment in use in the food and meat trades "the time cannot be far off when a major threat to public health could arise."

He is worried that companies have cut maintenance budgets as an easy way of reducing expenditure.

The refrigeration group has published a free leaflet to *help consumers* detect signs of possible deterioration

Citizens' band radio lobby calls for EEC probe

BY ELAINE WILLIAMS

CITIZENS' BAND radio enthusiasts have *asked* the European Commission to investigate the Government's decision to adopt a system which will be incompatible with services in the other EEC countries. They criticise the way the UK is planning to introduce the system.

Pressure groups such as the Citizens' Band Association and the Committee for the Legalisation of CB Radio feel that the Government's action breaches the Treaty of Rome by preventing free trade in CB equipment.

While the Government announced in January that Britain would adopt the same frequency band of 27 MHz for its system as used elsewhere in the EEC, it has chosen to operate in a different part of the band from that used on the Continent.

The UK lobby, backed by the European CB Federation, is particularly worried because the EEC will shortly issue proposals for a pan-European system with a single licence. If Britain presses on with the specifications drawn up by the Home Office, pressure groups say UK users will be unable to join in.

Mr. James Bryant, president of the Citizens' Band Association, has written to Mrs Thatcher deploring the lack of consultation between CB campaigners and the Home Office.

In the letter, Mr Bryant says that the Home Office has "taken a *decision which* it knows to be against the wishes of all concerned, for which there can be no technical or political justification, and refuses to discuss or change it. It appears that some officials do not wish CB radio to succeed in the UK."

There are more than 250,000 illegal users of CB radios in Britain already operating on the 27 MHz band using equipment smuggled into the UK.

Business and Investment Opportunities

READERS ARE RECOMMENDED TO TAKE APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

UK NEWS—LABOUR

Post engineering workers threaten action over jobs

BY NICK GARNETT, LABOUR STAFF

THE POST OFFICE Engineering Union warned yesterday that it would defend its members' jobs by industrial action if they were threatened by the Government's drive towards greater competition in telecommunications.

Mr Bryan Stanley, the union's general secretary, told the Government and big companies that *it would not submit to proposals which threatened jobs.*

However, he advised delegates to its annual conference: "If we want to ensure the best possible future for our members, we not only have to accept competition, we must commit ourselves to winning in competition."

The Government was forcing cash limits on the Post Office and British Telecom which were so tight it was impossible to maintain their planned investment programmes. This was a disastrous policy, Mr Stanley said.

British Telecom should adopt more aggressive marketing to sell its products and services.

First election results for *places on the union's executive committee indicated yesterday* that the Left would fail to gain a majority. Half the results have still to be announced, however.

The executive is split 14 to nine in favour of the Right. *Voting results from the* 12 regional seats showed no change, with the Left retaining its two London seats and the Midlands place.

The Right kept its nine regional seats with the Left failing to win the North-East and Scotland, where it had mounted a challenge.

Votes for the Left were generally down, in some cases substantially, in a battle which has been bitterly fought. The union has the strength to seriously disrupt key telecommunication and data transmission services used by the City and industry.

Results for the 13 occupational seats are expected to be announced today. The Left, *which has six of these expects* to do better in this group.

The conference backed the executive's attempts to create a federal union for telecommunications. The Post Office Engineering Union, with 130,000 members, has already put forward proposals to the Society of Post Office Executives, representing supervisors, and the postal and telecommunications section of the Civil and Public Services Association.

Its vote (70,000 to 59,000) thus rebuffed attempts by the Union of Communication Workers, the postmen's union, to try to create one union for national grades in Posts and Telecoms.

More detailed proposals on the structure of the federation will be discussed at a special conference of the engineering union this year.

No early breakthrough likely in Civil Service wage dispute

BY PHILIP BASSETT, LABOUR STAFF

PAY TALKS between civil service union leaders and Lord Soames, the Lord President of the Council, which are set for today, seem unlikely to produce significant movement by the Government, which could bring closer an end of the 12-week-old dispute.

Leaders of the Council of Civil Service Unions expected to meet Lord Soames yesterday following weekend talks with Mr Barney Hayhoe, Civil Service Minister, which will be examined by the unions at a separate meeting this morning.

However, it is thought that Lord Soames has taken advantage of the delay before today's meeting with the unions to consult with Cabinet colleagues on the unions' pressure in two areas: this year's pay offer of 7 per cent, and the prospect for arbitration on next year's deal.

Few major movements seem likely today, however, since it is thought that crucial decisions on policy will not be taken until Thursday's Cabinet meeting.

Union leaders seem likely to give cautious approval to the idea of a fully-fledged Royal Commission to form the inquiry into Civil Service pay for 1983 and beyond, provided it can report in time for that year's pay settlement.

Specific proposals on such items as job security and index-linked pensions seem unlikely to feature in the Commission's terms of reference, since if they did, union agreement to the terms would probably not be forthcoming. However, such items will loom large in Government evidence to the Commission.

Membership of the Commission has not been proposed in detail by the Civil Service Department, but officials are likely to be as keen as the unions that its members should have sufficient public standing for their eventual report to command respect and support.

Support for the now-abandoned principle of comparability, and a forecast of failure for the Government if it attempts to control public sector pay alone, has come from Mr Aubrey Jones, a former Conservative Minister and chairman from 1965 to 1970 of the National Board for Prices and Incomes.

Writing in the first issue of Public Pay, published by the Chartered Institute of Public Finance and Accountancy, he states that comparability is the only method that has been effective as a pay indicator.

Mr Richard Luce, Foreign Office Under-Secretary, said in a Commons' written reply yesterday that Australia and New Zealand had agreed to allow in UK visitors whose passports have expired and who have been unable to renew them because of action by civil servants.

The relaxation will apply to passports which expired less than five years ago and will last until August 31.

Scottish flights will be hit again today by action of air traffic control staff, and the unions said yesterday that action by civil servants in Gibraltar had led because of shortage to an 8p increase in petrol prices.

Bakers union shelves closed shop

By Our Labour Staff

A MOVE to restore to large bakery plants the post-entry closed shop revoked by employers in 1978 was shelved yesterday at the annual conference of the Bakers, Food and Allied Workers Union.

Mr Joe Marino, general secretary, asked for the motion to be remitted on the grounds that the timing was not right. The conference called for a substantial pay rise this year and an hour off the working week.

Bakers back Benn Page 10

Rich-poor gap widening says Low Pay Unit

BY PAULINE CLARK, LABOUR STAFF

GOVERNMENT POLICIES and the recession are combining to widen the gap between rich and poor and to push more families into poverty, says a review published today by Low Pay Unit research workers.

The unit, which regularly monitors low pay trends in various sectors of the economy, says 4.75m full-time adult workers earn wages of £75 a week or less for a basic 40-hour week while 2.75m part-timers receive a maximum £1.90 an hour.

The latest issue of the unit's review, Low Pay 1980s Style, say the low paid increased by 500,000 between 1979 and 1980 and the lowest paid male manual workers earned less last year relative to average rates than in 1886 when official figures were first collected.

Using figures based on Department of Employment statistics, the researchers say 30 per cent of the country's full time adult workforce are low paid by this definition. Of these 2m are men and 2.7m women.

Protest planned at Rank Xerox

By Our Labour Staff

AN INTERNATIONAL "day of action" by workers in Rank Xerox factories is planned by their trade unions—to protest at what they claim is the company's refusal to consult before dismissing workers.

The action, aimed at plants in Europe and the U.S., has been sanctioned by the Geneva-based International Federation of Commercial, Clerical, Professional and *Technical Employees (FIET).*

Weetabix faces one-day strikes

MORE THAN 100 fitters and *electricians at the Weetabix* cereal factory in Burton Latimer, Northants, voted yesterday to hold a series of one-day strikes in protest at management turning down a 12.5 per cent wage claim. Nearly 900 production *workers at the plant have* accepted a management offer of 9.8 per cent.

Royal wedding

THE General and Municipal Workers' Union said it was disappointed yesterday that BTR, a leading UK rubber company, had decided not to recognise the Royal Wedding day, July 29, as a holiday."

Trade Minister in Nottingham

MR CECIL PARKINSON, Minister for Trade, will visit Nottingham today and tomorrow.

His programme includes calls on three local companies, a meeting with the Nottinghamshire Economic Forum and discussions with members of the Association of British Mining Equipment Companies.

This is one of a series of regional visits Mr. Parkinson is making throughout the country

Militant rail drivers to press for 30% rise

By Philip Bassett

MILITANT MEMBERS of the *train drivers' union Aslef are* pressing for a range of tough demands on pay, productivity and manning levels—including a 30 per cent pay claim for next year—which could pose further problems for the already-troubled British Rail.

The union's annual conference opens in London today with some motions threatening BR's hopes of low pay increases and improved productivity to help it out of its financial difficulties.

While most of the proposals on pay call for increases not lower than the current rate of inflation at the time of negotiations, amendments from the King's Cross branch of the union seek to tie the union down specifically to increases of 30 per cent.

Concern

All three rail unions are to present next Monday their case for pay increases this year of about 13 per cent to the Railway Staffs' National Tribunal, the industry's highest-level appeals board, in the face of BR's pay offer of 7 per cent.

However, a motion from the Aslef Polmadie branch expresses concern at the expected level of the 1981 pay increase, and instructs the union's executive "to make an immediate application to the BRB for a further increase" for this year.

Specific proposals on pay are also linked to BR's proposed productivity changes. Motions call for a refusal of proposals for one-man operated trains unless drivers receive full pay, plus either 50, 75 or 100 per cent of a guard's normal rate of pay.

Others call for the rejection of all changes in working practices until pay matches European levels. One specifically supports double-manning.

Disruption

Pauline Clark adds: Rail union leaders are to meet today to decide whether to make official the industrial action by train drivers which caused widespread disruption yesterday to British Rail's Southern Region services for London commuters.

Southern Region fears there could be further disruption to its South West division lines from Waterloo today when 30-40 guards at Guildford are threatening a one-day stoppage. Otherwise, it hopes that commuter lines will return to normal while the joint union meeting takes place.

Any action today by the Guildford guards will involve members of the National Union of Railwaymen for the first time in unofficial action in protest at SR's economy cutbacks.

Yesterday's wildcat strikes were confined to members of Aslef who have led the fight against rationalisation of off-peak service time tables because they say they will result in a £30 a week cut in earnings.

JOBS COLUMN

Where the executive carrots are juicier

BY MICHAEL DIXON

"THE TRUTH is rarely pure, and never simple." That quotation from Oscar Wilde always comes to the Jobs Column's mind when it is about to publish information from salary surveys. And never has the maxim been more apposite than it is to the table alongside which I hope henceforth to print annually.

The built-in errors of salary surveys are bad enough when the surveys are confined to one country and concerned only with gross pay. The faults must therefore be worse when a survey seeks to make comparisons not only across 17 countries, but also in terms of purchasing power.

Provided today's indices are treated as just a rough approximation, however, they are well worth printing. After all, the acid test of the pay of a manager anywhere is what he or she can buy as a result.

My figures are calculated from the yearly survey made by Employment Conditions Abroad. This is a trade association which furnishes detailed reports on pay and perks in some 75 lands to its international-company subscribers, and any reader wanting full information should contact Ginny Spittle at 13 Devonshire St, London W1N 1FS—telephone 01-637 7604, telex 299751 Eureca G. The rest of us will have to be content with the data which ECA has allowed me to pass on free of charge.

THE BUYING POWER OF EXECUTIVES IN DIFFERENT COUNTRIES

Index of purchasing power relative to UK level-C manager (=100)

Country	Level C— head of function in subsidiary		Level B— head of function in division		Level A— head of function in group		% rise from C to A	
	1981	(1980)	1981	(1980)	1981	(1980)	1981	(1980)
Canada	189	(164)	238	(206)	306	(278)	61.9	(69.5)
United States	182	(167)	228	(217)	293	(273)	61	(63.5)
Singapore	180	(136)	271	(218)	412	(327)	128.9	(140.4)
South Africa	178	(169)	227	(218)	291	(271)	63.5	(60.4)
Switzerland	176	(192)	227	(248)	291	(323)	65.3	(68.2)
France	175	(178)	236	(242)	321	(330)	83.4	(85.4)
West Germany	169	(172)	221	(232)	309	(297)	82.8	(72.7)
Belgium	149	(162)	191	(214)	243	(263)	63.1	(62.3)
Australia	146	(125)	183	(162)	220	(192)	50.7	(53.6)
Spain	144	(147)	218	(209)	278	(285)	93.1	(93.9)
Italy	122	—	171	—	230	—	88.5	—
Netherlands	121	(143)	151	(183)	184	(222)	52.1	(55.2)
Greece	105	—	137	—	—	—	—	—
Ireland	103	—	127	—	164	—	59.2	—
United Kingdom	100	(100)	127	(133)	162	(170)	62	(70)
Denmark	82	—	104	—	131	—	59.8	—
Sweden	74	(72)	82	(79)	92	(88)	24.3	(22.2)

The indices refer to workers at three commonly found levels of management—of which more a bit later. In each land and at each level the manager is assumed to be paying tax and so on as a native of the country specified, to be married with two children, but without benefit of any of the individually variable tax reliefs such as allowances on mortgage repayments etc.

In each case, too, the gross pay is taken to consist of salary and cash bonuses which are fixed payments as distinct from bonuses dependent on changeable factors such as turnover, profits and suchlike.

Having calculated what each of the typical managers has left of the gross pay after the standard deductions in their country, ECA translates the remainder into terms of what that would buy in terms of United Kingdom prices. To do this, it adds to the net pay the allowances generally available to executive families with two children in the land concerned. The relative buying powers are then calculated on the basis of a range of surveys of international living costs.

The lowest managerial level covered—represented by the left-hand pair of columns of figures in the table—is that of the head of a function such as finance or marketing of a single subsidiary company of a biggish group. The next grade up, represented by the next pair of columns, is a person who is head of marketing or whatever for a division of several subsidiary companies. The top level signifies the chief of the function throughout the whole group.

My table is standardised on the manager in the lowest of these three grades in the UK. According to ECA the gross pay typical at that level is £13,000. After the relevant deductions and with the addition of generally available benefits, this becomes a purchasing power of £9,500 which I have taken as 100 in computing the indices.

So each of the other index figures in the table represents the particular manager's buying power in pence relative to each £1 enjoyed by the lowest-grade UK executive. The Canadian head of production in a subsidiary in that country can thus buy about £1.89 worth of things for every £1 worth bought by the British equivalent.

In the same way the bottom-level UK managers are 33p in the £1 worse off than their immediate UK boss, and 62p in the £1 poorer than their boss's boss—all of these British managers being worse off than similarly ranked executives except those in Denmark and Sweden.

Some gains

But the Brits have not done altogether badly over the past year by comparison with their counterparts in the 12 other countries for which I have been able to obtain 1980 figures. While the equivalent managers outside Europe and even in Sweden have gained ground over the past 12 months, several in Europe have lost some.

Within the UK the two senior managers have lost ground to their juniors . . . which brings us to the table's final pair of columns. These show the percentage by which the highest-ranked manager was better off than the lowest ranked, and so might be said to represent the incentive for the bottom-grade executive to strive for promotion to the top.

The incentive in Britain this year was exceeded by those in Singapore, Spain, Italy, France, West Germany, Switzerland, South Africa and Belgium. But the most bossed Brit had relatively more to gain by becoming the most bossy than had at least six of the equivalents, even though all but two of them would still have been able to buy more on reaching the top grade.

Between 1980 and 1981 the highest-ranked executive's differential increased in only four of the 13 countries for which last year's data is available. The carrot grew juicier by 10.1 percentage points in West Germany, by 3.1 in South Africa, and by 0.8 in Belgium. It even grew 2.1 points juicier in Sweden, giving the individually worst-off Swedes a bit more to strive for as well as the greater State services which they, like the Danes, pay for with their higher taxes.

APPOINTMENTS

Peter Hambro to join Gill and Duffus Group

Mr Peter Hambro, who has been a managing director of the discount company Smith St Aubyn and Co., will retire on June 30 to join the GILL AND DUFFUS GROUP, where he will serve on the executive committee. He will remain on the Board of Smith St Aubyn (Holdings) PLC as a non-executive director and also on the Board of City of Oxford Investment Trust PLC.

★

Following the announcement in Auckland of merger proposals between the New Zealand Insurance Company and the South British Insurance Company to create the NEW ZEALAND SOUTH BRITISH GROUP, major changes affecting the UK are:

Mr R. C. Tucker, currently chairman and general manager of the New Zealand Insurance Company (UK), relinquishes those posts on becoming general manager (overseas) of the New Zealand South British Group, but remains a director and deputy chairman of NZIUK. Mr R. M. Nelson becomes chairman of the New Zealand Insurance Company (UK). Mr D. A. McDonald, currently general manager in the UK for the South British Insurance Company, becomes general manager and a director of NZIUK and, accordingly, UK chief executive of the New Zealand South British Group.

★

Mr Christopher Morgan, a *partner in Deloitte Haskins and* Sells, has been appointed technical director of the INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES and director of accounting standards. He is being seconded by his firm for about three years. He will take up new post from July 1 when the Institute's present technical director, Mr R. G. Willott, leaves to become a partner in Spicer and Pegler.

★

Mr Homer S. Frankhouser, a vice president of BROWN AND ROOT INC and deputy chairman of Brown and Root (UK), has assumed direct responsibility for Europe and Africa engineering and project management activities. He is also responsible for Europe and Africa marine group activities, business development, proposals and Scandinavian operations. Mr B. L. Harper, senior vice president of Brown and Root (UK) has transferred to Houston, Texas, where he will be responsible for project management services in the marine services group for worldwide operations.

★

Mr Jocelyn Hambro has been re-elected chairman and Mr W. C. Harris deputy chairman of PHOENIX ASSURANCE.

★

Lord Swann has been appointed to the the Board of M & G Group PLC.

★

Mr R. G. Cutterham will be joining the partnership of HAROLD RATTLE AND CO., stockjobbers, on June 2.

★

Mr H. R. Wüst, corporate managing director of Ciba-Geigy (ADP) Company and a former managing director of The Clayton Aniline Company, Manchester, has assumed an additional responsibility as chairman of THE CLAYTON ANILINE COMPANY. Mr A. A. S. Rae, chairman of the Ciba-Geigy UK Group and formerly chairman of The Clayton Aniline Company, retains his seat on The Clayton Aniline Company's Board. Mr A. Kemp, formerly director of finance for Ciba-Geigy (ADP) Company, joins the Board of CIBA-GEIGY (UK) as director of Group strategy. Mr. Kemp also becomes a member of both the Board and the management committee of The Clayton Aniline Company. Mr R. E. S. Brimelow, company secretary of Ciba-Geigy (ADP) Company, assumes Mr. Kemp's former responsibilities within that company.

★

Mr Peter N. R. Waterman has been appointed managing director of THE PALITOY COMPANY.

★

Mr Phil Derry has been appointed to the newly-created position of marketing director of MCL (MARLBOROUGH COMMUNICATIONS).

★

Due to the continuing expansion of Burnett and Hallamshire Holdings' property division, the following senior Board appointments have been made within the division's parent company, ANGLO OVERSEAS CONSTRUCTION CORPORATION. Mr T. Lowe, managing director of Hallamshire Industrial Estates, a subsidiary of Anglo, has been appointed joint managing director of Anglo, with responsibility for property development both at home and overseas. Mr M. D. Gillingwater, formerly managing director of Anglo's subsidiary, Camm (B. and H.) has been appointed joint managing director of Anglo with responsibility for construction both at home and overseas. Mr J. Beighton has been appointed managing *director of Camm (B. and H.).* Mr C. D. Wathen has been appointed managing director of Anglo's subsidiary, Hallamshire Properties.

★

Mr James Radcliffe has been appointed deputy managing director of LAYTONS WINE MERCHANTS.

★

Mr Terry Woolley has been appointed commercial director of BONE CRAVENS. Bone Cravens are a member of the Leesona division of John Brown.

★

Mr N. Hunter, Mr E. Lewis, Mr A. Lundin and Mr D. Pearl have been appointed to the Board of EXPLAURA GOLD.

★

Mr Ronald Emmanuel has been appointed chairman of WHEELER'S RESTAURANTS.

★

INTERNATIONAL ENERGY BANK has appointed Mr Nicholas F. Smith vice president and Mr Charles Hill manager from June 1.

★

Mr Graham Waldron, chairman of the M.C.D. Group of Companies, has been appointed a non-executive director of the STEWART NAIRN GROUP.

★

Mr B. C. Mead has been appointed a director of HOGG ROBINSON (BENEFIT CONSULTANTS), part of the Hogg Robinson Group.

★

Mr Rowley Atterbury and Mr John Owers have become chairman and vice-chairman, respectively, of WESTERHAM PRESS. Mr Malcolm Horton has been appointed managing director.

★

BOWEY GROUP has appointed Mr John Pollard as a non-executive director and consultant to the Board.

★

Mr J. R. C. Sayers has become *managing* director of TANDY CORPORATION (UK).

★

Mr Phil Derry has been appointed to the newly-created position of marketing director of MARLBOROUGH COMMUNICATIONS.

Williams keeps colleagues in suspense

By Elinor Goodman, Lobby Correspondent

THE Social Democrats' steering committee yesterday formally confirmed the new party's determination to contest the Warrington by-election but they left open the question of who should fight it — despite mounting pressure on them to make an early decision.

Mrs Shirley Williams was still keeping her colleagues in suspense and had not told them finally whether or not she was prepared to take what could be the biggest gamble of her political life — to stand for a seat which would be very difficult to win in the first place and even more difficult to hold at a general election.

A short list—probably including at least one nationally known figure and one local candidate—will be drawn up shortly following discussions today with the Liberals. This will then be put to the Social Democrats' regional organisation with a view to making a final decision on June 11.

Yesterday, Mr David Marquand still looked the most likely outside candidate, while Mr David David Williams, the son of the retiring Labour MP, acknowledged that he had been approached by Social Democrats in the area.

The by-election will be the first real test of the alliance between the Liberals and the Social Democrats, and yesterday both sides were accepting that there could well be some problems before agreement was reached.

Nevertheless, both are working on the assumption that they will eventually be able to agree on a candidate who will get the support of the Liberals.

Yesterday, Mr David Steel, Liberal leader, moved quickly to kill the idea that the Liberals would try to dictate the choice of candidate as a price for their support, but he made it clear that the Liberals were in a position to field a candidate of their own if agreement could not be reached.

Despite Mr Steel's apparent wish not to upset the SDP at this stage by appearing to intervene directly in their affairs, the Liberals will make it clear at today's meeting that they believe a decision should be taken quickly and the SDP should field one of its nationally known figures.

Plan to scrap business names registry stands

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE GOVERNMENT stands "four square" behind its plans to abolish the Registry of Business Names, Mr Cecil Parkinson, Minister for Trade, told the Commons yesterday during the second reading debate on the Companies (No. 2) Bill.

He made it clear that despite vigorous protests from a wide range of business organisations, the Government has no intention of reversing its decision.

According to the Minister there was an overwhelmingly good case for abolishing the registry and in many cases the expressions of concern simply did not take account of reality.

He claimed that the registry was not being abolished in order to save funds but because it had now become "quite frankly ineffective."

Many people did not bother to register and there was a strong suspicion that those who did not do so included people who were committing frauds and abusing the system.

On 40 per cent of inquiries it was found that the company was defunct or had not bothered to register. Thus the system was giving a "spurious appearance of certainty."

Mr. Parkinson also confirmed that during the committee stage of the Bill he will introduce clauses tightening up regulations on the disclosure of interest in shares. This is aimed primarily at "concert parties"—groups of people who band together to obtain a controlling interest in a company without disclosing their activity.

The Minister came in for considerable criticism from both sides of the House because the draft clauses had not been available to MPs although they had been circulated to interested parties in the business world.

Mr. John Smith, Labour's shadow trade spokesman, condemned this as "a deplorable practice."

There was also a protest from Sir Graham Page (C, Crosby), who wanted to know the names of the organisations who had received the clauses at a time when MPs had not had the opportunity to see them.

Mr Peter Emery (C, Honiton), impressed on the Minister that this was a very important matter which demanded an explanation.

Mr. Parkinson apologised to the House and said that copies of the 20 new clauses had since been made available in the vote office.

On the registry of business names, the Minister maintained that the Bill was replacing a defective and unsatisfactory system with new arrangements under which businesses would have to display or make available on demand the information required.

His argument left many MPs dissatisfied and Mr. Smith said that unless there were better assurances on the registry, Labour would vote against the bill on second reading.

Mr. Smith estimated that 91 jobs would be cut and £1m saved as a result of the abolition of the registry and associated changes in company names provisions.

In exchanges with the Minister, it emerged that the savings from the abolition of the registry alone would be about £750,000 with staff savings of about 60.

Mr. Smith claimed that it was all part of the expenditure cuts being demanded by Mrs. Thatcher and that the abolition of the registry was the "sacrificial goat" offered by the Department of Trade.

Benn wins support of Left-led Bakers' Union

BY CHRISTIAN TYLER AND NICK GARNETT

MR. TONY BENN yesterday added another 38,000 trade union votes to his bid for the deputy leadership of the Labour Party when he was supported by the conference of the Left-led Bakers' Food and Allied Workers Union.

He is also likely to get the backing of the train drivers' union ASLEF, with 27,000 votes, whose conference opens in London today. Although no motion on the party leadership appears on the ASLEF agenda, delegates are expected to declare for Mr. Benn after he addresses them *tomorrow*.

Voting at the Bakers' delegates conference in Bridlington gave Mr. Benn 68 votes, with *Mr. Denis Healey, the incumbent*, a very substantial 53 votes. The newly-declared third runner, Mr. John Silkin, collected only eight delegate votes.

Mr. Benn already has the formal backing of two other unions, the Association of Scientific, Technical and Managerial Staffs (147,000 votes) and of the white collar section TASS of the Engineering Union (95,000).

The Post Office Engineering Union, which has 79,000 affiliated votes, failed yesterday at its annual conference to come to any conclusion on who it will support in the contest.

As a result of manoeuvres by both Left and Right, a vote was not taken.

The issue will now almost certainly be put to individual voting within branches.

Mr Bryan Stanley, the union's general secretary, said these votes would be the determining influence on how the union's delegation voted.

The conference also came to no decision on the union's policy towards the formula for the electoral college.

The decision on this now effectively rests with the executive which currently supports giving the Parliamentary Labour Party the biggest share of voting power up to a maximum of 50 per cent.

The actual process of deciding which of the contenders for the deputy leadership should be supported by the POEU's block vote, could be altered if the Left takes control of the union's executive. With half the executive election results so far in, it seems unlikely, however, that this will happen.

Mr Jock Campbell, leader of the broad Left in the union and secretary of the London branch, said the composition of the POEU delegation to the Labour Party conference could still be an important influence on how it voted on the leadership issue.

The executive has proposed to its annual conference yesterday that individual balloting in the branches should be carried out on the issue of the leadership. This, it said, was a method of "keeping faith with the membership."

An amendment proposed that this would have the effect of committing branch block votes.

With a severe time limit on debate, the Left deliberately "talked out" the debate, so it was guillotined before a vote was taken.

Mr Campbell accused the executive afterwards of stifling debate in an attempt to prevent the conference voting for Mr Benn.

He said there could now be a clearer discussion of the issue within the branches.

The tactics of the Left though appear to have been governed partly by its hope of changing the composition of the POEU executive in the current executive elections.

Editorial Comment, Page 16

Prior expresses sympathy with unemployed

BY CHRISTIAN TYLER, LABOUR EDITOR

THE GRIEVANCES of the unemployed will be reported to the Prime Minister and the Cabinet, Mr. James Prior, Employment Secretary, told a delegation from the "people's march for jobs" yesterday.

Mr. Prior saw six of the marchers for over an hour in his room at the House of Commons and listened to their own experiences of life on the dole. One or two were reportedly "fairly angry," and there were protests at Mrs. Thatcher's refusal to meet the marchers herself.

One of the delegation warned Mr. Prior about the demoralisation felt in the black community.

Mr. Prior said he was aware of the plight of the unemployed and expressed his sympathy. But he told them that no Government had the power—this one no more than the previous one—to end unemployment. If it had, it would have done so.

He pointed to the special job measures and Government assistance for the steel and shipbuilding industries. The Government was looking for a long-term solution to the problem, however, which would require an effort on everybody's part, he said.

Although this message failed to satisfy the delegation, the meeting was said to have been polite.

The climax of the march, which started in Liverpool, Wales, West Yorkshire a month ago, came at a rally in central London on Sunday when over

Ashley Ashwood.

Mr. Michael Foot, Labour Party leader, speaks to members of the People's March for Jobs, before they met Mr. James Prior, the Employment Secretary, yesterday.

100,000 people welcomed the column of 500 unemployed.

Yesterday the marchers assembled outside County Hall on London's south bank where they were addressed by Mrs Barbara Castle, Labour Euro-MP and former Cabinet Minister. She was enthusiastically cheered as she told them they had "revitalised the political machine."

Lord Soper, the Methodist minister, said the Government was committing a "crime" by condemning over 2½m people to idleness. He called on the clergy to take more interest in the problems of the unemployed and "stop mucking about with theological problems."

The marchers are due to return to the North by special trains today.

Union leaders, some of whom were slow to endorse the march initially, are likely to call for further demonstrations of this kind.

The TUC is planning a big lobby of Parliament by the young unemployed later in the summer, and another and bigger march may be organised.

A "right to work" march may also be staged during the Conservative Party conference this October.

Union leaders now recognise that the march has been much more successful in publicity terms than anything so far organised by the TUC. Left-wingers in the union movement, who have repeatedly called for direct action against unemployment and threats of redundancy, will certainly use the march to highlight their case when the policy-making annual Congress meets in September.

National Service comes back into vogue Page 17

Concern on multi-fibre negotiations

By Ivor Owen

DEMANDS FROM both sides o fthe Commons for a more resolute posture by the EEC Commission in preparing for the negotiations on a renewnal of the Multi-Fibre Arrangement won tacit approval from Mr. John Biffen, Trade Secretary, yesterday.

Mr. Ken Woolmer, (Lab., Batley and Morley), said than an outline negotiating mandate which the Commission has circulated to the textile industry caused concern to both employers and trade unions because it contained "major weaknesses."

He urged the Government to make its position clear on the need for a recession caluse—something which the Commission appeared not to be backing.

Mr. Biffen replied: "We are broadly in favour of something approachin ga recession clause."

He confirmed that the EEC Council of Ministers will consider the Commission's outline negotiating mandate on June 23.

Mr. Biffen strengthened the impression that he will be seeking a more determined approach by the Commission when he embpasised that the decisive phase of the negotiations was not likely to begin until after the summer.

He accepted that there was some overlap between the negotiations in the EEC and the negotiations under the General Agreement on Tariffs and Trade (GATT). Talks in the GATT textile committee would resume in Geneva in the week beginning July 13.

Answering Mr. Charles Fletcher-Cooke (C., Darwen), he said it was too early to judge the consequences of the recent action taken by the United States to dismantle artificial aids to their textile exports.

Mr. Dale Campbell-Savours (Lab., Workington), protested that while the EEC Commissions' consultative document had been circulated to Ministers and trade associations, no MP anywhere inside the Community had been provided with a copy.

Mr. Biffen undertook to examine whether copies could be made available to MPs.

Dr. John Cunningham (Lab., Whitehaven), referred to a report that Courtaulds was planning a further rundown of its textile interests. He underlined the importance of the Multi-Fibre Arrangement negotiations by pointing out that 600,000 jobs were at stake

Whitehead re-elected unanimously

Financial Times Reporter

MR PHILIP WHITEHEAD, the "*shadow*" *Minister of State for* Education, has been re-elected unanimously by the general management committee of Derby North Labour Party. He was re-elected without opposition; there was no other candidate.

Mr. Whitehead, who was elected for Derby North in 1970 and had a majority of 214 at the last General Election, said afterwards: "If you say there *should be more than one candi*date, then you first of all have to persuade the local party of that. Here in Derby North we try to have a strong party in the face of very strong opposition."

Mr. Whitehead was opposed at the last General Election by four candidates — Conservative, Liberal, National Front, and English Nationalist. He is a writer and TV producer.

Tory group seeks more power for party members

BY ELINOR GOODMAN, LOBBY CORRESPONDENT

THE CAMPAIGN to increase the power of ordinary party members over the party *hierarchy, which has caused* such havoc within the Labour Party over the past few years, could be about to reach the Conservative Party.

A Tory ginger group was launched yesterday with a set of demands—and a vocabulary to match—far more redolent of the Labour Party than of anything normally heard in polite Tory circles.

Among its proposals were an *end to the automatic* re-selection of MPs, an elected party chairman and a general reduction in the Prime Minister's patronage — all aims which Mr. Tony Benn would applaud.

The group is to try to rally support for a 10-point charter aimed at "democratising the organisational structure of the Tory Party." It hopes to collect "thousands" of signatures for the charter and to get it on to the agenda at next year's party conference.

The organisers of yesterday's *campaign first started arguing* for greater democracy within the party as long ago as 1969, when they published a pamphlet entitled "Set the party free." The pamphlet attracted considerable support from younger Conservatives and an inquiry was set up into the party's organisation in response to their campaign. But none of the sweeping changes *they had hoped for* materialised.

Yesterday, Mr Peter Sinclair, one of the founders, claimed that "a decade on, it is clear that only a few, and insignificant, changes have been achieved." All significant decisions in the Tory Party, he claimed, were taken at a level that is remote from the bulk of its membership."

In the background brief which the organisers circulated yesterday, they claimed that the national union was itself "inherently undemocratic," and that there was no proper mechanism within the party for change. At national level, all significant decisions were made either by the leadership, or by party officers appointed by the leadership.

The group sets out three main aims:

- To get all top officials within the party, including the party chairman and vice-chairman, elected on a "one member one vote" basis.
- To make the governing body of the Conservative Party more democratic.
- To improve the procedure for selecting candidates.

It also stressed that preselection should not be automatic.

TECHNOLOGY

EDITED BY ARTHUR BENNETT AND ALAN CANE

General Electric wins patent for oil-eating bug

DAVID FISHLOCK, SCIENCE EDITOR

U.S. GENERAL Electric, the world's biggest electrical engineering group, is mounting a research programme at its central laboratories in Schenectady into genetic engineering. This was disclosed in London last week by Dr. Roland Schmitt, vice-president for GE's corporate research and development.

But why should an energy technology group that makes million-horsepower turbo-generators, aero engines and nuclear reactors bother about molecular biology and the manipulation of genes? The answer becomes clearer when you look at the full span of this highly diversified company, Dr. Schmitt says.

To take one example, GE is a world leader in chemical processing and a fertile inventor of new plastics. Genetic engineering may offer new ways of making big molecules such as plastics, film or fibres, or intermediates required in the process.

GE's interest in bio-technology—fermentation—reaches back to the late-1960s when, as an energy company, it got involved with a process for turning cattle manure back into animal feedstuffs. It found a micro-organism that transformed the manure into edible protein; one that survived at surprisingly high temperatures.

It even set up a pilot plant "out West" where cattle are abundant. It got a feel for the problems raised for fermentation processes by such toxins as insecticides, by stray infections, by the antibiotics used in animal feeds.

Above all, says Dr. Schmitt, it got a feel for the idiosyncrasies of the soya bean market, staple ingredient of animal feeds, and the wild fluctuations in soya price that could accompany a good or bad anchovy harvest in South America. At this point it decided it had no business being in this commodity market.

Bacteria

GE re-entered bio-technology in the mid-1970s with an invention made in the corporate laboratories, of a bug that would eat oil. The idea was that such a bug might be useful in eating slicks of spilt oil. Company scientists had combined bits of three different bacteria to create their new bug.

In 1976 they tried to patent the oil-eater. GE prides itself on obtaining more patents "by a substantial margin" than any other U.S. company, some 800-900 a year. The corporate laboratories dream up about one-third of them, Schmitt says. The company has a well-qualified trade mark office.

At first, staff experts said no, the hybrid bug was not patentable. The scientists persisted, but the Government's patent office turned them down. Eventually, GE appealed to the Supreme Court. Finally, only last March, GE was granted a patent.

GE itself will not be exploiting the oil-eater, Dr Schmitt says. Such a technique, at the fringe anyway of GE interest would still require considerable study of possible side-effects.

The main beneficiaries of a very costly fight for a patent will be the small entrepreneurial companies which sprang up in the late 1970s to exploit genetic engineering.

GE's corporate researchers have consulted one of these companies, Genex Corporation, featured on this page on April 7 as having its primary interest in fine chemicals.

GE's oil-eater was not a product of genetic engineering—of recombinant DNA—but a product of cross-breeding. The scientists took three closely-related bacteria, each efficient at eating one fraction of crude oil, and combined them into a stable hybrid with a taste for "whole crude."

With Genex's counsel, GE has concluded that genetic engineering—the transplanting of genes in simple organisms such as bacteria—could have exciting prospects for several major sectors of its business. Organisms which thus acquire a taste for a particular metal might be used to enrich a lean ore, even sea water. GE owns a large mining company called Utah International.

Organisms which show a facility for synthesising long-chain molecules may be the source of new plastics or man-made fibres. GE is one of the biggest—and the most inventive—manufacturers of plastics in the U.S.

Organisms which show an aptitude for isolating rare constituents in blood or saliva may lead to new ways of medical assay — and GE is already big in the fast-growing business of computerised medical diagnostics.

"When a field of science is moving fast, it's difficult to keep up just by reading the literature," Dr. Schmitt says. So he is bringing together a new team of perhaps half a dozen scientists within the next year. Some of his scientists are returning to university to learn the latest crafts of genetic engineering, such as gene sequencing.

Schmitt compares these times for genetic engineering with the first years after the invention of the laser, in 1960. "There was a tremendous explosion of ideas. We began by thinking of a vast army of possible uses. Then came the problem of doing it. The doing is a lot tougher than the thinking," he adds.

Dr. Richard Schmitt, vice-president of GE's corporate research and development and, below, the stable hybrid bacteria with a taste for crude oil.

GE does about 10 per cent of a total company research and development effort costing $1.6bn last year in its corporate laboratories, under Roland Schmitt's direction.

Of this, he estimates, his laboratories spend 10-20 per cent on exploratory research, untargeted to specific business objectives; "on taking a flyer," as he puts it. The policy is to mount enough work in a few years to decide whether to put it into the mainstream research programme.

Current examples include the use of nuclear magnetic resonance (NMR) as a medical diagnostic technique. "It's clear that it's going to make the mainstream." Another is a way of making steels with a very low magnetic loss, one-quarter that of the best silicon steels, by cooling the molten metal so quickly that they end up with an amorphous instead of a crystalline structure.

How do they see GE's foray into genetic engineering at corporate headquarters? They have shown great interest and tend to ask Schmitt: "Are you doing enough?"

He has a particular friend at court in the shape of Dr. Arthur Bueche, his former boss at the Schenectady laboratories, now senior vice-president for corporate technology (who recently turned down an offer to become President Reagan's science adviser).

And he has a new chairman, Mr. Jack Welch, who arrived through the highly innovative plastics operations of GE. "He really understands what the laboratories can do—and expects a lot from his laboratories."

Data from outstations

DATA FROM up to 512 remote outstations can be gathered over a single twisted pair cable using a system called REMDACS developed by Intersil and offered in this country by Rapid Recall of High Wycombe, Bucks. (0494 26271).

It consists of a controlling receiver/transmitter unit and outstations which can be two types—a voltage input module accepting up to 16 one volt inputs or a temperature module. These modules can be added to the system in a "daisy-chain" fashion at any time and can be up to one mile from the controller.

Conversion to binary digital signals takes place at each outstation and in addition to quantitative data the outstations can monitor switches and relays via four additional digital input/output lines.

Inputs at each of the stations update an on-board random access memory seven times a second to enable the central computer to have access to the most immediate data.

Scratch detector

STREAKS, SCRATCHES and wrinkles that can occur in the production of continuous webs of paper, plastics, photosensitive and coated materials can be detected by a laser-based unit put on the market by Intec Corporation, ave Paul Hyams, 105 bte 22, B-1200 Brussels.

The inspection system sweeps a laser beam across continuous surfaces 5,000 times a second. Variations in reflection rates produced by surface irregularities are recorded by a receiver and the signals processed.

First, a discriminator detects both random and persistent signal evidence and then a processor distinguishes between the two classes of signal. A preprocessor is used to enhance detection of certain types of flaw.

Specialist modules then interpret the data and format for display on a cathode ray screen or for hard copy print out.

Chips 'talking book' helps word-blind children

THOSE RECENTLY developed and apparently magical semiconductor "chips" that can, when suitably instructed, synthesise speech sounds have been put to a new use at the Institute for Perception Research in the Netherlands.

The Institute, a joint operation of the Technical University and Philips in Eindhoven has developed a system in which a black and white code pattern printed under each word on a printed page can be picked up by a hand-held scanner that is placed on the code area by the user.

This immediate and direct association between the appearance of a word and the pronounced sound is likely to have a number of uses not only in helping, for example, word-blind children but also in teaching foreign languages.

Tape recorders have been tried for these purposes but then the pronunciation is not available for immediate recall.

This new "talking book" makes it possible to hear the pronunciation of any word at will, as often as is necessary. It should prove of particular value for oriental languages where for Western newcomers there is no phonetic data in the characters.

Children use the synthesised-speech sound system in the Netherlands.

The newly developed code is the key to the technique. Initially, a number of characteristics of a particular word are established in audio signal terms, for example, amplitude, pitch, bandwidth and voicing.

Indices can be formulated for these in binary code form; a code of about 800 bits is needed to describe a word of average length and each bit is represented by a black or white area 160 microns (millionths of a metre) wide and 500 microns high.

Total code area of the present version is about 17 mm x 8 mm —using more conventional techniques it would be much longer says Philips.

Waterproof hand-held terminal

LATEST HAND-HELD terminal from Burr-Brown International of Watford (0923 33837) has 29 keys 0.55 inch square with spacing identical to that used on touch-tone telephones.

Likely to be suitable for use on the factory floor and where operators may have to use protective clothing, the device, designated TM77, is waterproof and could easily be installed in a vehicle control cabin without having to worry about ingress of moisture or dust.

The keypad includes nine keys with pre-defined functions such as "reset" or "enter," eight that can be programmed to perform user-defined functions and 12 that are reserved for numeric entry. Five LED indicators show receive/transmit status.

Medical use for sensor

FERRARIS Development and Engineering of Lea Valley Trading Estate, Edmonton, London (01-807 3636) has developed a flow sensor under the title Magtrak.

The company says that its primary use as a sensitive general purpose respiratory flow sensor is expected to be in the medical field, but it believes that there must be many aplications within industry.

The sensor provides a continuous electronic output in the form of pulse trains, and used in patient circuits, either locally or remotely.

Cost savings for auto-fillers

BIG COST savings for processors and packers using automatic filling equipment are claimed to be achieved by using a new microprocessor weighing control system called MIDAC.

The unit, which enables full compliance with the Average Weight Legislation Statutory Requirements, has been developed by Optibal Holdings of Congleton, Cheshire, with the backing of the National Research Development Corporation.

MIDAC (Microprocessor Information Display and Control) is able to detect drift in finished pack weights—pack by pack—and to make automatic adjustments to the weight head.

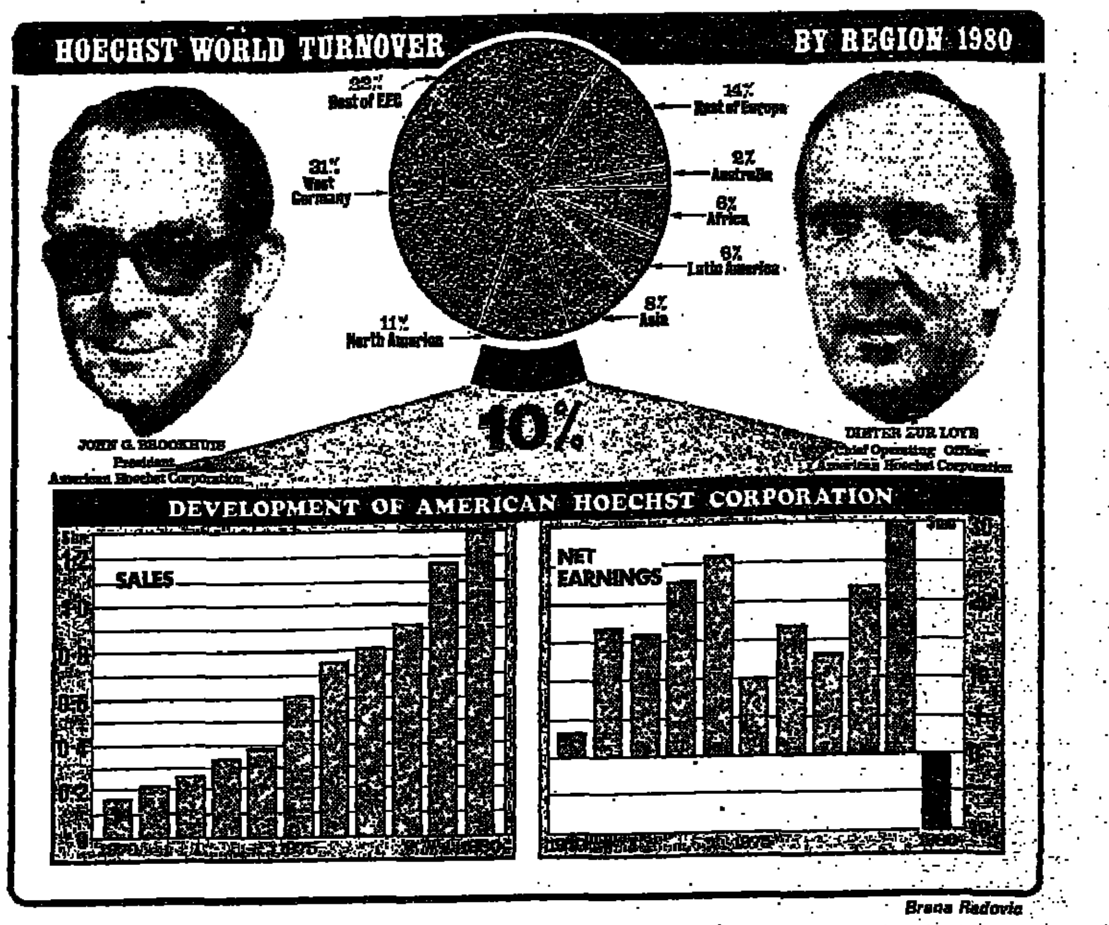
The weight adjustments are made within limits set by the supervisor to compensate for the rise or fall in actual weight, violent plus to minus swings being avoided by the selection of a percentage adjustment which will provide for a gentle correction.

MIDAC will also provide summaries and analyses of information such as average weight packed, total number filled, total weight packed, total cumulative net deviation and so on. This information is presented on a visual display and can also be produced in printed form for record keeping purposes by the addition of a suitable printer.

On an existing or new installation basis, the unit can be easily connected to auger fillers, check-weighers, vibratory fillers, screw feeders and bag and sack fillers.

Taking a long term view on the cost of market share

Kevin Done on the strategy in the U.S. of the world's largest chemicals group



Brana Radovic

JOHN BROOKHUIS, the ebullient 59-year-old president of American Hoechst Corporation is surprisingly nonchalant about the $10m loss his company ran up last year. It was "nothing very dramatic . . . by a little sleight of hand and finger-twisting I could even make this loss look like a profit, or rather like an investment in the future," he declared recently in New York when the AHC results were published.

After 27 years of building its operations in North America the Hoechst parent company, and the world's largest chemicals concern, with headquarters in Frankfurt, might be expected to show a rather greater sense of urgency in the search for a suitable return on its investment. The emphasis, however, is still on turnover rather than profit.

According to Dieter zur Loye, American Hoechst's chief operating officer: "If your goal is to build a business for the 1990s, you are probably willing to sacrifice some of the return on investment for the near future, even for five years." He says it is a question of investing "*dollars now for the future, not for next year, but for the long run.*"

With the biggest research budget of any chemicals group, Hoechst is anxious to build up a market position in the U.S. over the long-term which can help carry its formidable research *and development costs around* the world. Last year the R and D budget amounted to DM 1.3bn (£270m), equal to some 4.3 per cent of group turnover. Around 13,000 of Hoechst's workforce of nearly 187,000 are employed in R and D in 15 countries.

"The size of the U.S. market makes it possible for us to use our world technology at lower cost per unit because of the volume of business possible in the U.S.," says zur Loye.

For simple historical and geographical reasons, Hoechst's biggest market to date has been in Western Europe, where it gained some 62 per cent of its DM 29.2bn (£6.1bn) turnover last year. The U.S. has a similar gross national product to Europe, has a slightly higher consumption of petrochemicals, but by contrast provides only 11 per cent of Hoechst's sales worldwide. It is in this under-representation that Hoechst sees *its big chance.* "*We are aiming* in the next ten years to grow faster in the U.S. than Hoechst worldwide," says zur Loye, "and to increase our share of group turnover to at least 15 per cent."

Expansion

American Hoechst has already grown rapidly from its modest beginnings in 1953 when the company started with a four-man operation in a suite on the 82nd floor of the Empire State Building in New York. Sales in that first business year amounted to just over $1m, derived chiefly from dyes, pigments, waxes and nylon bristles. But in the 1950s and 1960s, Hoechst, undercapitalised like the rest of the German chemicals industry, lacked the money to make large foreign investments.

In the 1970s, though, with investment in Germany slowing down in relation to the size of the company, resources started to come free which could be devoted to expenditure overseas. By 1974 American Hoechst's turnover had been boosted to $400m, but in the space of the last six years it has more than trebled to reach $1.29bn in 1980. Even with this sort of expansion rate, however, Hoechst has still been left behind by its big German rivals, Bayer and BASF, in the rush to grow in the U.S. It now ranks *about 17th in the U.S. domestic chemicals market, compared* with the tenth place occupied by Bayer, whose U.S. subsidiaries last year had total sales of $2.4bn, and the 13th place taken by BASF, which had a North American turnover in 1980 of $1.8bn.

"As we see it there are three alternative ways forward," says zur Loye. "First, we can license American firms to make our products. Second, we can build from the grassroots. Or, third, we can acquire existing businesses or plants."

In the earlier years of the company's development in the U.S., Hoechst chose the licensing alternative, as much as anything because of the lack of available capital. The move brought in substantial royalties but offered no chance of building a position in the market that could be used for the future.

To start to build a local production base for its sales organisation, in the 1960s, Hoechst entered a number of partnerships with groups such as Hercules in synthetic fibres and Stauffer in PVC plastic films. The relationships helped bridge a gap in the German company's U.S. development, but proved to be of only short-term attraction for both sides. By 1970 the joint ventures were 100 per cent in Hoechst ownership and now form the basis of the present American Hoechst fibres and films divisions.

Hoechst's build-up in the U.S. *only properly* began to accelerate as it nerved itself in the 1970s to make large takeovers of existing businesses and to plough huge amounts into constructing new plants on greenfield sites. Since 1970 Hoechst has poured some $1.1bn in capital expenditure into the U.S., of which around $210m has flowed directly from the parent company, with the rest being financed locally by American Hoechst.

The result has been to build a company with a turnover of $1.3bn based on six major divisions: chemicals, including *petrochemicals, industrial* chemicals, inorganic chemicals and agrochemicals ($315m), health care, chiefly pharmaceuticals ($164m), synthetic fibres ($296m), plastics ($285m), films ($147m), and graphic arts ($78m).

About half of the growth of the U.S. operations has come from acquisitions, and Hoechst *expects a similar pattern to* emerge in the coming years. American Hoechst is aiming to double its turnover in the next five years with about half of this expansion coming through takeovers. Another $750m is earmarked for capital expenditure up to 1985 but total U.S. investment could clearly be well over $1bn in this period if the right takeover possibilities emerge.

The biggest acquisition now *on the cards* is the $100m takeover of Teepack, a subsidiary of the U.S. Continental Group, which would add sales of some $100m to American Hoechst if the deal is finally approved by the U.S. anti-trust authorities.

Woes

The deal illustrates well how some U.S. companies' readiness to divest themselves of subsidiaries that do not fit in with the latest whims of corporate strategy can often work to the benefit of European companies seeking an entry to particular segments of the U.S. market. "You cannot imagine Celanese or Union Carbide buying a plant from us or Bayer or BASF in Europe," says zur Loye. "But in the U.S. we have bought a polyester film plant from Celanese for $75m in 1979 and three years ago a PVC film operation from Union Carbide."

These film operations are good examples of one line of the Hoechst strategy in the U.S., namely that of buying its way into markets where it has high quality technology within the Hoechst group but no market share in the U.S. The process advantages brought from *Europe can help it to turn* round loss-making operations, which can be picked up relatively cheaply. Equally, buying into the sector does not disturb the market as would be the case with a total newcomer building up new capacity.

In areas where it has an established position Hoechst prefers to build new plants based *on its own technology, although* the results have not always been happy. Nearly a quarter of its US turnover comes from synthetic fibres which have been over-run by the same woes afflicting the rest of the industry in the U.S. and elsewhere. Over *some* 14 years Hoechst has pumped around $300m into its U.S. fibres operations to a point where it holds about 12.5 per cent of U.S. polyester staple production capacity and is in fourth place in the market behind Du Pont, Celanese and Eastman. In polyester filament, its main loss-maker, Hoechst has about 5.9 per cent of U.S. capacity.

About DM 13m of the Hoechst group's DM 30m losses in synthetic fibres in 1980 were run up in the U.S., where the fibres operations have only worked *profitably for one year,* 1979, since 1975, and even in 1979 it did little better than break even. American Hoechst is involved in new fibres market areas such as the use of polyester chips for manufacturing clear, carbonated beverage bottles. Its experiences in fibres in the U.S. though, show how easily a company can burn its *fingers in commodity markets* where its technology does not ensure a decisive lead over the competition.

By contrast Hoechst last year completed spending some *$180m, its biggest ever single* investment anywhere in the world, including West Germany, in the first stage of a new chemicals complex at Bayport, near Houston, Texas, where it is hopeful that it will hold a technical edge over its U.S. rivals for several years.

In 1974/75, American Hoechst added overnight an extra 50 per cent to its turnover with the $100m takeover of Foster Grant from United Brands, a deal which was just as important in providing the company with an experienced U.S. management team in plastics and petrochemicals.

On this foundation Hoechst has built a 100,000 tonnes a year high density polyethylene (HDPE) plant at Bayport. It will take it into entirely new areas of the U.S. plastics market, although worldwide the company is already the largest single producer of HDPE.

To avoid the pitfalls of the *commodity plastics markets Hoechst is* aiming the new plant at producing plastics for specialised uses, such as plastic pipelines and tanks and high-strength plastic films. The plant came on stream in the autumn last year to a sigh of relief from Hoechst, which had lost several *million dollars in building up* the U.S. market through costly imports from West Germany in the months prior to start-up.

The area where Hoechst might have been expected to make fastest progress in the U.S. is pharmaceuticals. It is, after all, the world's largest pharmaceuticals company and it is especially in drugs that it ought to be able to make its impressive R and D spending count. But ironically it tripped, stumbling over its own pride and the perhaps overweening belief in its own products.

Its arch West German rival Bayer spent large sums to buy Miles Laboratories and Cutter Laboratories to provide a ready-made U.S. pharmaceuticals base. Apart from the early acquisition of a small drugs company, Lloyd Brothers in Cincinnati in 1960, Hoechst has chosen to build its U.S. drugs operation largely from its own resources in Germany and those of its French majority-owned subsidiary Roussel-Uclaf.

The early lack of a more widely-based U.S. drugs operation has cost American Hoechst serious delays in introducing European researched drugs to the U.S. market, and some preparations have been held up for *years by the FDA, the U.S.* drugs approval authority. Some 87 per cent of its drugs turnover in the U.S. stems from products developed in Europe and turnover totalled only some $135m last year, about 1.3 per cent of the U.S. prescription drugs market.

Log-jam

However, John Brookhuis is confident of more than doubling this to around $300m by 1985 as the approvals log-jam is broken, but senior Hoechst executives accept that their U.S. performance in pharmaceuticals has been disappointing to date because of the lack of products. It has ten preparations on sale in the U.S. against about 250 in West Germany.

Recently, the company has taken an exciting step in the U.S. to broaden its activities in genetics, one of the frontiers of modern pharmaceuticals research, which Hoechst had previously been investigating chiefly at its West German laboratories. Over the next ten years it is underwriting the $50m cost of establishing a new department of molecular biology at Massachusetts General Hospital, the teaching hospital affiliated to Harvard University. The new department will maintain its full academic freedom, but Hoechst will have first exclusive right to any patents arising from its work.

Hoechst had already invested in U.S. research expertise in other fields, in *diagnostics* with the purchase of Calbiochem, and in electronic technology and laser printing-plate making systems with the takeover of Eocom, both based in California. But the tie-up with Harvard is its biggest push yet into basic research in the U.S.

With 19 plants in 13 states of the U.S., American Hoechst now has a workforce approaching 10,000. With capital investment of up to $800m over the next five years, an annual R and D budget of more than $50m a year, and interest payments of over $50m last year, setting up shop in the U.S. is not coming cheaply. John Brookhuis, who *expects turnover to increase by 19 per cent this year to $1.54bn,* is outwardly relaxed, however: "*We think that our investments* and our behaviour on a day-to-day basis should not be dictated by what is happening from day-to-day, but rather take the longer view. We can allow ourselves this luxury, because we have a very rich parent corporation."

Looking for a magnified market

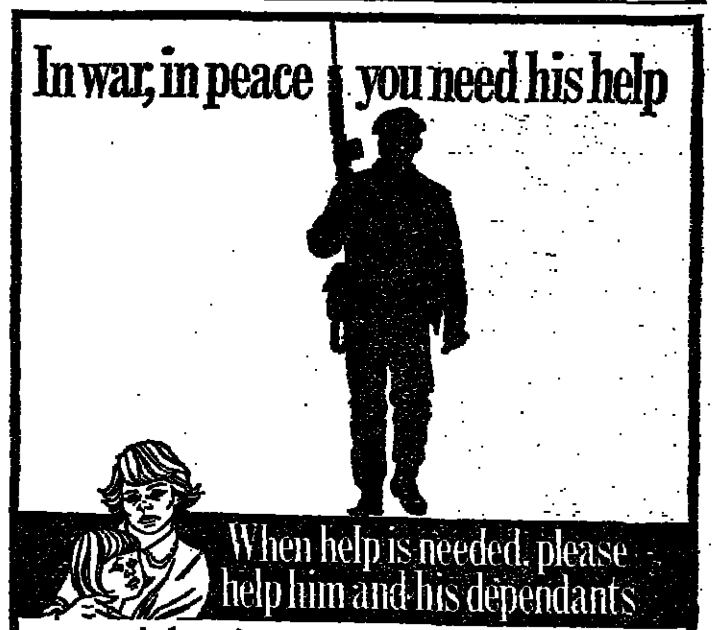
In 1974 Hoechst expanded its U.S. plastics operations in a big way when it bought Foster Grant. However, rather to its surprise, Hoechst discovered that for its $100m it had also overnight become one of the world's leading makers of sunglasses, for Foster Grant had originally made its name through the manufacture of sunglasses rather than petrochemicals and plastics.

Foster Grant is the biggest manufacturer of sunglasses in the world, making about 28m pairs a year in 160 different styles. Günther Rübke, an executive vice-president of American Hoechst, admits that it is not always the easiest of tasks to interest the chemists who dominate the Hoechst main board in Frankfurt in such fanciful consumer products. Perhaps just for that reason Foster Grant has now been passed on to Hoechst's majority-owned French subsidiary, Roussel-Uclaf, whose flair for consumer products is perhaps less in doubt.

Hoechst's sunglasses activities have been supplemented in France with the acquisition of Solar which markets the Nina Ricci name and which has taken it into the more exotic area of skiing goggles.

With turnover of around $50m Foster Grant is suffering from being over-dependent on a seasonal product where sales are stagnating and barely keeping pace with inflation, so it is now starting cautiously to expand into other areas of eye care products.

In all but three states of the U.S. spectacles can be bought across the counter in the supermarket—eye-tests and prescriptions are not necessary—so Foster Grant is now *pushing into the field* of so-called "reading magnifier glasses." Such glasses retail for around $10 a pair as against $50-$60 for prescription glasses. Rübke admits that opticians are not exactly happy with the idea of non-prescription glasses, but he points out that store displays do say in small print that customers should get their eyes tested.



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LOMBARD

Credibility of the deterrent

BY IAN DAVIDSON

IN THE ARCANE world of nuclear strategy, there are no tablets of the law, and the International Institute for Strategic Studies does not have the status of an Elijah. But when it concludes that controlled nuclear war is so implausible that it cannot form the basis of policy, and that therefore America's nuclear targeting doctrine is fundamentally misconceived, it is time for the rest of us to take notice.

The heart of their argument is that controlled nuclear war is implausible because the control systems are inherently vulnerable to attack: once you start, with however small an initial detonation, there is no way of being sure when or where you will stop. Their conclusion is that nuclear weapons are useful for deterrence, but not for fighting a war.

This raises some macabre and paradoxical questions. Does it mean that, despite the belief to the contrary propagated by Henry Kissinger, the American strategic deterrent is as ineluctably locked into the protection of western Europe as ever, on the grounds that a conventional Soviet attack would carry an unacceptable risk of holocaust for both sides? Certainly many serious people believe the nuclear balance is much more stable than the frenzied rhetoric in Washington might suggest.

But the paradox is this: it is not self-evident who would be more deterred by the current configuration, the Soviet Union or the United States. Battlefield and theatre nuclear weapons were originally put in Europe to compensate for conventional superiority of the Warsaw Pact. Since then they have been faced by tactical and theatre weapons on the other side; but the conventional balance remains unfavourable.

This means that NATO must be prepared to use nuclear weapons first, on the assumption that some "small" nuclear explosions will stop the Russians in their tracks. But if IISS is right, that there is no plausible basis of confidence that the process of escalation can be controlled in a dependable way, then there is no reasonable basis of confidence that any American President will start the process—unless by chance he is prepared to take the risk, in the hope that escalation can be controlled.

He may be so prepared, if he happens to believe in NATO strategy (first use and flexible response) and in U.S. targeting doctrine (PD 59). But in that case, does the effectiveness of the deterrent depend on Soviet fears that the American President just may subscribe to the strategic theories of his own side? It seems rather precarious, unless you take the (not unreasonable) view that even the smallest risk of holocaust may well be enough to deter the Russians from deliberately doing anything which just might provoke it.

If nuclear weapons cannot rationally be used, does it make sense to regard them as a deterrent except as the ultimate protection of the homeland of the national government which possesses them?

Negotiations

IISS draws the inference that the emphasis should be on conventional forces, on the grounds that they are usable in a controlled way. But it would be politically very difficult, and exceedingly expensive, for NATO to establish a conventional balance in Europe which would constitute a conventional deterrent against a conventional Soviet attack, and thus place on the Soviet Union the responsibility for starting an uncontrollable nuclear war. Some people believe Moscow would use nuclear weapons in any case; why should they, if they can avoid the attendant risks?

The other route to conventional parity is through arms control negotiations, but here the record is discouraging. Moscow has been prepared to agree limitations on strategic systems with the U.S.; it seems determined to gain superiority in theatre weapons, and negotiations have not started; but on conventional weapons it has blocked MBFR negotiations by simply denying the facts about the forces in question.

If the IISS thesis gains ground, it could have far-reaching effects on Western strategic thinking. Conceivably, it could have an impact on the current debate surrounding the 10-year British defence review being conducted in Whitehall.

Red and white from the Golden State

CALIFORNIA WINES are not easy to describe in the way that most wines from Europe can be categorised. The burgundies of the Côte d'Or are basically made from one red grape variety and one white, the leading Mosels derive from only one, and even the very large Bordeaux region contents itself essentially with four or five red grapes and a couple of whites.

The wines will differ from estate to estate and from commune to commune, but you will not find the Pinot Noir in the Gironde, or the Sauvignon in Burgundy. It would not work. But in California you will and it does, more or less.

Moreover, an estate will not only produce wines from its own vineyards, but will buy in from others; and it may itself sell grapes to other proprietors. Those it purchases may be included in the estate's blend, or they may be kept separate and offered under its vineyard name or the estate's general label.

The leading Ridge property on the Santa Cruz mountains south of San Francisco, sells different Zinfandels from vineyards far up the Sonoma Valley, about 50 miles north of the city: each bearing the local name as well as Ridge's. Chateau St. Jean in Sonoma Valley probably carries off the prize for making and selling the most Chardonnays: eight with estate names and its own blend. Only a quarter of the 80,000 cases sold of its wine varieties comes from grapes in its own 75 acres of vineyards.

A big property such as Sonoma Vineyards produces 12 different types of table wine, from Cabernet-Sauvignon to Grenache Rosé, with sparkling wine thrown in, and universally called champagne, except by Domaine Chandon, the Moet property.

I visited a winery 300 miles to the south of San Francisco, in the hinterland of Santa Barbara, in the company of a wine-maker looking for additional supplies of Cabernet-Sauvignon grapes from non-irrigated vines in a very large 1,900-acre vineyard, producing a range of wine types.

The owner said: "I can produce whatever you like," a statement if made in France that would be certain at once to bring the Repression des fraudes down on him. But it was true, and he supplies Chardonay grapes to the very reputable Château Montelana, about 350 miles away at the far end of the Napa.

Obviously, soil is a significant factor in the wine types produced, but not as it is in most of Europe. Technological skill, of which there is an abundance, seems almost as important.

However, as will be readily admitted, California wine growers are still feeling their way and it seems likely that, increasingly, specialisation will develop. Sterling is going to drop four of the eight wines it is producing on its 500 acres, to concentrate on Cabernet-Sauvignon, Merlot, Chardonnay and Sauvignon. Too wide a range can bring its difficulties at the vintage if, as occurred after a cool summer in 1980, a sudden heatwave sends temperatures above 100 degrees for days on end and ripens all the grapes nearly simultaneously.

Further, while a wine may be labelled with a varietal name if the blend contains 51 per cent, shortly the legal minimum will be 75 per cent although the prestige wineries are unlikely to add anything besides Cabernet-Franc or Merlot to their wine labelled Cabernet-Sauvignon. Also, "estate-bottled" will be allowed on the label only if the wines come exclusively from the estate named. Finally, commercial pressures are likely to reduce the extraordinary array of wine labels on wines produced from a total California wine area of only about 350,000 acres (the Gironde alone is about 250,000 acres).

Meanwhile, among the grapes that in Europe might be termed "noble," Zinfandel is the most planted (over 30,000 acres). It may be a native variety—although there is a theory that it derives from southern Italy. Certainly, it is grown and made today only in California, and is the wine most likely to be marketed in Britain, and at moderate prices. Such wines probably come from the inland Central Valley, but some very distinctive Zinfandels, including high-strength late-harvested wines, can come from Sonoma and Santa Cruz. Although light, and even rosé examples are made, in essence this is a powerful, fruity wine with what the producers describe as having a strong "berry" flavour. They may taste plummy.

WINE

BY EDMUND PENNING-ROWSELL

The outstanding California red is, however, undoubtedly the Cabernet-Sauvignon. It occupies 20 per cent of the total Napa vineyard area of 30,000 acres. It has a real claret aroma, if sometimes a little obscured by the new oak in which it may have been matured. This can also affect the flavour, although this must not be confused with woodiness; oak has a very seductive odour and gives an attractive flavour to a well-made wine.

In style, the Cabernet-Sauvignons are full-flavoured—more like a Pauillac than a Margaux. As with most California wines, they tend to be over-alcoholic and can taste "porty." Although these wines need a fair number of years in bottle, most are probably drunk too young. Some of the leading producers, such as Beaulieu, Ridge and Heitz produce special quality Cabernets.

Beaulieu's Private Reserve has been one of California's fabled wines. Ridge's Montebello from the Santa Cruz mountains and Heitz's Martha's Vineyard from the Napa are others in this class. In a blind tasting that I attended of 12 California '74 Cabernet-Sauvignons in the San Francisco Vintners' Club, whose 100-plus members confront a semi-circle of anonymous glasses every Thursday afternoon, Martha's Vineyard came top, followed by the Montebello. At another, smaller group that meets regularly, the 10 wines included five California Cabernets and five leading clarets, all of the '70 vintage. Beaulieu Private Reserve emerged first, followed by Lynch-Bages. If the French wines did not show very well, it must be remembered that the '70 clarets are still very closed up.

Great efforts have been made to produce fine Pinots Noir, but on the whole they lack the roundness and fruitiness of red burgundy, and tend to taste rather green, or "grassy," as the Californians put it. I tasted some that were promising, including a '77 Santa Cruz Mountain vineyard, with a strange flavour that reminded me of blackberries, and Kenwood in Sonoma had a well-rounded fruity '79. Carneros Creek has a reputation for good Pinot Noir, but, unfortunately, was not among the 38 wineries that I visited in 12 days.

Other leading red wines are made from the Petite Syrah (in reality, it appears, the French Durif) and the Syrah itself. Both have a Rhône-like flavour. The very large Almaden firm produces a very drinkable '78 Petite Syrah, selling at only $4. At $7, Phelps offers a distinguished '76 Syrah, notable for a nose reminiscent of cloves and a strong flavour.

With the whole industry still in the quasi-experimental stage, almost every grape is grown somewhere in the state. The Merlot, practically non-existent 10 years ago, now accounts for about 3,000 acres. The Grenache, associated with rosé wines, is widely planted, as is the Midi-originated Carignane, though not in the best parts. I drank an excellent Barbera, less rough than in its native Piedmont, and largely grown in the hot Central Valley. Later, I will write about the white wines in more detail.

Pioneers in importing California wines were Averys of Bristol, agents for Beaulieu and with a considerable list. A more recent supplier is Geoffrey Roberts, Dilke Street, S.W.3, with a very impressive catalogue, but only a wholesale licence. He can supply minimum quantities of one dozen of each wine. Another interesting list is that of Windrush Wines, 181, Gloucester Street, Cirencester.

Weather is key to the Derby

BARRING a dramatic deterioration in conditions the Derby course is expected to offer good ground tomorrow afternoon, despite heavy overnight showers on Epsom Downs.

No one is likely to be happier at the prospects of reasonable going than Michael Stoute. Despite the fact that the even money favourite, Shergar, has already proved himself in the mud, the colt's 19-year-old rider, Walter Swinburn, could be confronted with a daunting tactical situation should the ground come up soft. For if several past runnings of the Derby in soft going are anything to go by, Swinburn may have to make a split-second decision between sticking to the far rails or tacking over to the stern rails in search of better ground as the field sweeps round Tattenham Corner.

No one is better equipped to make the most economical use of his mount in drifting across the course in search of the right going than Lester Piggott, who came so close to death here on Winsor Boy in April. It was during Piggott's leanest spell during the past 20 years that he so nearly executed a tactical triumph in that manoeuvre when sweeping wide of Royal Palace and George Moore in the 1967 Derby.

RACING

BY DOMINIC WIGAN

There was little demand for Piggott's grey Derby mount, Shotgun, yesterday, when the Queen's Church Parade was the one many backers were after following news of a sparkling gallop at West Ilsley.

On the Oaks front, there is better news from Zilber who has failed to announce any startling reappraisals of his own ability since his post 1976 Derby comment: "I can walk on water." The Egyptian-born handler has announced that he will saddle Tropicaro, who takes in Epsom's oldest classic, before being aimed at the Prix de Diane eight days later.

It was in 1976 that Daniel Wildenstein's outstanding filly, Pawnese, landed the Epsom Oaks before going on to take the French equivalent. Incidentally, the Prix de Diane is the target for Leap Lively's stable companion, Golden Bowl.

SALISBURY

2.00—Miss Posy*
2.30—Orilla
3.00—Cloudwalker**
3.30—Black Mike
4.00—Scottish Agent
4.30—Sans Dot***

STOCKTON

2.45—Sultano
3.15—Saga's Humour
3.45—Canoodle

TV/Radio

† Indicates programmes in black and white

BBC 1

6.40-7.55 am Open University (Ultra high frequency only). 9.05-11.37 For Schools, Colleges. 1.12 pm Regional News for England (except London). 1.15 News. 1.30 The Flumps. 2.00 You and Me. 2.14-3.00 For Schools, Colleges. 3.20 Pobol y Cwm. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Jana of the Jungle. 4.40 The Record Breakers. 5.05 John Craven's Newsround. 5.15 Ask Aspel.

5.40 News.

5.55 Nationwide (London and South East only).

6.20 Nationwide.

6.55 Taxi.

7.20 The Tuesday Film: "Skin Game," starring James Garner.

9.00 News.

9.25 Landseer.

10.25 Goodbye Darling . . .

11.15 Platform One.

11.45-11.50 News Headlines.

All Regions as BBC1 except as follows:

Cymru/Wales — 11.37 am-1.15 pm and 3.00-3.55 C.I.S. Insurance International Bowls. 5.15-5.40 Bilidowcar. 5.55-6.20 Wales Today. 6.55-7.20 Heddiw. 11.15 Bowls highlights. 11.30 The Sky at Night. 12.10 am Platform 1. 12.40 News and Weather for Wales.

Scotland — 1.10-1.15 pm The Scottish News. 5.55-6.20 Reporting Scotland. 11.15 Current Account. 11.45 Sportscene Rugby Special. 12.15 am News and Weather for Scotland.

Northern Ireland — 10.38-10.58 am For Schools. 3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 7.20-9.00 Completion of St. Anne's Cathedral, Belfast. 11.45 News and Weather for Northern Ireland.

England — 5.55-6.20 pm Look East (Norwich); Look North (Leeds); Look North (Newcastle); Look North West (Manchester); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am Open University.

10.30 Supervisors.

11.00 Play School.

4.50 pm Open University.

6.55 The Great Egg Race.

7.25 Mid-Evening News.

7.40 Images of War.

8.00 Hindsight: Eric Robson talks to Lord Hailsham.

8.30 The Theatre Quiz.

9.00 Pete Sayers Entertains.

9.25 Maybury.

10.15 Top Gear.

10.45 Newsnight.

11.30 The Old Grey Whistle Test.

LONDON

9.30 am Schools Programmes. 12.00 Cockleshell Bay. 12.10 pm Pipkins. 12.30 The Sullivans. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 After Noon Plus Summer Season. 2.45 The Spoils of War. 3.45 Square One. 4.15 Bugs Bunny. 4.20 Razzmatazz. 4.45 Ace Reports. 5.15 Emmerdale Farm.

5.45 News.

6.00 Thames News.

6.25 Help!

6.35 Crossroads.

7.00 Mind Over Matter.

7.30 Charlie's Angels.

8.30 Thicker than Water.

9.00 ITV Playhouse.

10.00 News.

10.30 Where it Matters.

11.30 Rockstage.

12.25 am Close: "Sit up and Listen" with Jane Lapotaire.

All IBA Regions as London except at the following times:

ANGLIA

12.30 pm Gardening Today. 1.20 Anglia News. 5.15 Emmerdale Farm. 6.00 About Anglia. 7.00 Enterprise. 11.30 Tenspeed and Brown Shoe. 12.25 am Fresh Voices.

ATV

12.30 pm Gardening Today. 1.20 ATV News. 3.45 Mind Over Matter. 5.15 Happy Days. 6.00 ATV News. 6.05 Crossroads. 6.30 ATV Today. 7.00 Emmerdale Farm. 11.30 ATV News. 11.35 Paris.

BORDER

1.20 pm Border News. 5.15 Benson. 6.00 Emmerdale Farm. 11.30 Border News Summary.

CHANNEL

12.30 pm Gardening Today. 1.20 Channel Lunchtime News. What's On Where and Weather. 6.00 Channel Report. 7.00 Welcome Back Kotter. 10.28 Channel Late News. 11.30 Commentaires et Previsions Meteoroligiques.

GRAMPIAN

9.25 am First Thing. 12.30 pm Mind Over Matter. 1.20 North News. 6.00 North Tonight. 7.00 The Entertainers. 7.30 The Incredible Hulk. 11.30 North Headlines. 11.35 Police Surgeon.

GRANADA

1.20 pm Granada Reports. 3.45 Patterns. 5.15 Mork and Mindy. 6.00 Granada Reports. 6.25 This Is Your Right. 7.00 Emmerdale Farm. 11.30 Darts World Knock-Out Cup. 12.05 am After All That, This.

HTV

12.30 pm Mind Over Matter. 1.20 HTV News. 5.15 Cartoon. 5.20 Crossroads. 6.00 Report West. 6.30 Diff'rent Strokes. 7.00 Emmerdale Farm. 7.30 BJ and the Bear. 10.28 HTV News. 11.30 Music in Camera.

HTV Cymru/Wales—As HTV West except: 12.00 Poli a Pili. 12.05-12.10 pm Calimero. 4.15-4.45 Camigam. 6.00 Y Dydd. 6.15-6.30 Report Wales. 10.30 Y Fam Ddaear A'i Phlant. 11.15-12.15 am Where it Matters.

SCOTTISH

12.30 pm Gardening Today. 1.20 News and Road and Weather. 3.45 Mind Over Matter. 5.15 Teatime Tales. 5.20 Crossroads. 6.00 Scotland Today. 6.20 Job Spot. 6.30 What's Your Problem? 7.00 Take the High Road. 7.30 Vegas. 11.30 Late Call. 11.35 George Hamilton IV.

SOUTHERN

1.20 pm Southern News. 5.15 Undersea Adventures of Captain Nemo. 5.20 Crossroads. 6.00 Day by Day. 7.00 Emmerdale Farm. 7.30 Vegas. 11.30 Tenspeed and Brown Shoe.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 1.20 pm North East News and Lookaround. 5.15 The Electric Theatre Show. 6.00 North East News. 6.02 Crossroads. 6.25 Northern Life. 7.00 Emmerdale Farm. 10.30 North East News. 11.30 WKRP in Cincinnati. 12.00 In a Looking Glass.

ULSTER

1.20 pm Lunchtime. 3.45 Mind Over Matter. 4.13 Ulster News. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Good Evening Ulster. 6.30 Bygones. 7.00 Emmerdale Farm. 10.29 Ulster Weather. 11.30 Bedtime.

WESTWARD

12.27 pm Gus Honeybun's Birthdays. 12.30 Gardening Today. 1.20 Westward News Headlines. 6.00 Westward Diary. 7.00 Welcome Back Kotter. 10.31 Westward Late News. 11.30 Faith For Life. 11.35 West Country Weather and Shipping Forecast.

YORKSHIRE

12.30 pm Square One. 1.20 Calendar News. 3.45 Calendar Tuesday. 5.15 Calendar—It's a Vet's Life. 6.00 Calendar (Emley Moor and Belmont editions). 7.00 Emmerdale Farm. 11.30 Pavilion Rock.

(S) Stereophonic broadcast
‡ Medium wave

RADIO 1

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.00 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.30 Dave Lee Travis. 4.30 Peter Powell. 7.00 Talkabout. 8.00 Richard Skinner. 10.00-12.00 John Peel (S).

RADIO 2

5.00 am Ray Moore (S). 7.30 David Hamilton (S). 10.00 Jimmy Young (S). 12.00 John Dunn (S). 2.00 The Ed Stewart Show (S). 4.00 Steve Jones (S). 5.45 News and Sport. 6.00 David Symonds with Much More Music (S). 8.00 Hubert Gregg says I Call it Genius Fred Astaire (S). 9.00 Marching and Waltzing (S). 9.55 Sports Desk. 10.00 Funny You Should Ask. 10.30 The Spinners and Friends. 11.00 Brian Matthew with Round Midnight. 1.00 am Truckers' Hour with Sheila Tracy (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3

6.55 Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composer: Chausson (S). 9.45 Vidom Piano Trio (S). 10.45 Caplet, Poulenc and Mendelssohn choral recital (S). 11.30 Turina and Bax piano recital (S). 12.15 pm City of Birmingham Symphony Orchestra concert, part 1 (S). 1.00 News. 1.05 Six Continents. 1.25 Concert, part 2 (S). 2.10 Piano Duets (S). 2.50 Music from the Reign of ... (S). 3.25 Colonne Orchestra (S). 4.25 Jazz Today (S). 4.55 News. 5.00 Mainly for Pleasure (S). 7.00 Mozart: Clarinet Quintet K.581. 7.30 The Balance of Criminal Justice. Lord Salmon assesses the Report of the Royal Commission on Criminal Procedure. 8.00 Royal Philharmonic Orchestra: Schubert concert from the Royal Festival Hall, London, part 1 (S). 8.50 What Books I Please. 9.10 Concert, part 2 (S). 10.05 The Flaming Heart. 10.35 Entr'acte Cinematographique from "Relache" by Satie. 11.00 News. 11.05-11.15 Lutoslawski (S).

VHF only—Open University: 5.55-6.55 am and 11.15 pm-12.55 am.

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 Today, including 6.45 Prayer for the Day; 7.00, 8.00 Today's News; 7.30, 8.30 News Headlines; 7.45 Thought for the Day. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Tuesday Call. 10.00 News. 10.02 From Our Own Correspondent. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Thirty-Minute Theatre. 11.35 Wildlife. 12.00 News. 12.02 pm You and Yours. 12.20 Down Your Way visits Bury St Edmunds, in Suffolk. 12.55 Weather. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Women's Hour. 3.00 News. 3.02 Cold Comfort Farm by Stella Gibbons (S). 4.00 Begged, Borrowed or Stolen? 4.15 The Other Walk of Life. 4.45 Story Time. 5.00 PM: News Magazine. 5.50 Shipping Forecast. 5.55 Weather, Programme News. 6.00 News, including Financial Report. 6.30 Brain of Britain (S). 7.00 News. 7.05 The Archers. 7.20 The Hitch-Hiker's Guide to the Galaxy (S). 7.50 Fortune and the Fishmonger (S). 8.35 A Touch of Genius: Robin Ray illustrates the artistry of cellist, Matislav Rostropovich. 9.05 In Touch. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 The Small, Intricate Life of Gerald C. Potter. 11.00 A Book at Bedtime: "The Sea Wolf," by Jack London. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.03 Morning Star. 10.03 The Robbie Vincent Telephone Programme. 12.30 pm London News Desk. 12.40 The Total Music Show. 2.30 Tony Blackburn. 5.00 News. 5.15 Music on the Move. 6.33 Openings. 7.03 Black Londoners. 8.00 As Radio 1. 10.00 Question Time from the House of Commons. 11.00-5.00 am Join Radio 2.

London Broadcasting

6.00 am AM—Bob Holness and Douglas Cameron. 10.00 Brian Hayes. 12.00 LBC Reports. 7.00 pm London Life. 9.00 Mike Dickin's Nightline. 12.00 LBC Reports Midnight. 1.00 am Night Extra. 4.00 LBC Special. 5.00 Morning Music.

Capital Radio

7.00 am Mike Smith's Breakfast Show. 10.00 Michael Aspel. 12.30 pm Mike Allen. 1.00 First Report. 1.10 Mike Allen (continued). 3.00 Roger Scott. 6.30 London Tonight. 8.30 Nicky Horne (rock music). 10.30 John Sachs's Late Show. 12.00 Midnight Special.

F.T. CROSSWORD PUZZLE No. 4,583

ACROSS

1 Well known spirit (8)
5 Stint open fabric with soft finish (6)
9 Directs soldier and seaman who takes soundings (8)
10 Carpenter making level right (6)
11 Due to spoil rope but capable of being trained (8)
12 Sailor or a learner, remote from the mouth (6)
14 Tidies up after time to make a fresh start (5, 5)
18 Enlighten an initiate (10)
22 Draw fish in study (6)
23 Curse three articles about them (8)
24 Insect taking place with first of them (6)
25 Arctic duck I'd follow, needing a Camera (8)
26 Go back to retort (6)
27 Offer must include end for a criminal (8)

DOWN

1 Hesitate, but have the force to change (6)
2 Canal providing food to you and me (6)
3 Oriental sailor having the French mark . . . (6)
4 . . . and horse the French bring ashore in pastures suitable for growing (6, 4)
6 A laboratory in funds to produce a gourd (8)
7 Stomach a soul? (5, 3)
8 Conform and match an equal (8)
13 Action performed by sailors and knitters (7, 3)
15 Round, like an advertisement sent to a number of people (8)
16 Distinct open wound (5-3)
17 Craftsman who raises in relief (8)
19 One way to scrape with a gardening implement and strip (6)
20 Note not surpassed (6)
21 Bird in terrible danger (6)

Solution to Puzzle No. 4,582

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TURNKEY CURIOUS
CHAINSMOKE IRIS
DIGIN DEFENDER
HARDATIT ANGUS
SOSO BACKGAMMON
SINGOUT OBELISK

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For Share Index and Business News Summary, Telephone 246 8026 (number, preceded by the appropriate area code valid for London, Birmingham, Liverpool and Manchester).

THE ARTS

Palacios del Retiro, Madrid

Henry Moore in Spain

by WILLIAM PACKER

In a sense all the major forays abroad of the British Council's Department of Art are of an equal importance in our continuing cultural diplomacy, each in its turn the preoccupation of the moment, the natural focus of effort, resources, and anxiety for success: but, inevitably, some must prove in the event to be palpably more equal than others. As much may hang on local circumstance and the chances of history as on the particular character of the artist and his work: and occasionally things so conspire that in every way an opportunity is presented that is just too good, too important, to miss.

A huge exhibition of the work of Henry Moore has just opened in Madrid (where it remains until July 25 before moving on first to Lisbon, and then, it is hoped, to Barcelona, in time for the Picasso centenary celebrations there), and obviously enough it is an extraordinary and exciting enterprise, a triumph of co-operation between the Spanish Government, through its Ministry of Culture, the Henry Moore Foundation and the British Council.

Before all else, of course, it is a triumph for Henry Moore himself, whose life's work it celebrates so comprehensively. By far the largest of all the exhibitions he has ever had, it rounds off splendidly the run of major retrospectives that has fallen to him over recent years, begun so generously by the Italians at the Forte di Belvedere in Florence, and continued at the Orangerie in Paris and then at the Serpentine in Kensington Gardens.

The two huge nineteenth century pavilions of the Retiro Park, the Palacio de Velásquez and the Palacio de Cristal, could hardly be more suitable, or for that matter magnificent, in the setting they afford the work, each complementing the virtues of the other admirably, and always to the advantage of the *sculpture. The one is a vast,* cool, windowless, almost submarine interior, the other nothing but glass, a light, open, airy enclosure beneath the trees: and together they absorb this great mass of material with remarkable ease, and no sense at all of crowding or over-emphasis. Each piece is given room and more to stand for itself, to make its own terms, whatever the broader context suggested for it—and can seldom have looked better.

Moore is without doubt a great artist, one who has stamped his vision, his way of seeing and responding to the world, into the common sensibility of our time. We have every reason, quite beyond any narrow chauvinism, to take great pride in him and what he has achieved, and that the world at large should wish to honour him so handsomely. The evidence is now in the Retiro pavilions, and it is no surprise, though infinitely gratifying, that ten thousand Spaniards and more should choose to see it for themselves over the exhibition's first week-end alone. It is quite right that he should be honoured for his Art alone—no artist would wish for more: but for once the case is not quite so simple.

This show is taking place in Spain, and at a peculiarly delicate moment in her history: and no international exercise of such scope, of such popular interest and cultural resonance, can fail to take into account its broader responsibilities. For this is the first significant official exhibition of work from abroad by any living artist since before the Civil War: and it is not any artist who is being shown, but Henry Moore who, in 1936, signed the manifesto against the British Government's policy of non-intervention in Spain. Guernica still sits in New York, but Moore, in his work is already in Madrid, and by so much Spain begins to move back significantly, if somewhat gingerly, towards the mainstream of affairs.

Perhaps Spain is still a long way off: perhaps the press officers simply forgot to mention to the appropriate ears that there was likely to be news of some importance as well as art: perhaps editors were not interested: perhaps to the Foreign Office it really was just another art exhibition, a few arty types messing around with lumpen modern art. Whatever the reason, we critics were there because we were told in good time what was going on, and only those few of our colleagues who happened to be placed in Madrid. No British cameras *rolled, and the poor CBI delegation remained immured in* their conference room down the road.

But if the point was lost at home, in Spain it was taken whole. The day after the exhibition was declared open by HRH The Duke of Gloucester, El Pais not only carried the story on the front page, with photograph, with a general review inside, with photograph, but also gave the matter its full editorial attention. The only thing that was wrong, though quite understandable, it said, was that Henry Moore himself was not well enough to be there in person. He had not visited Spain in forty-five years. He had signed that protest in 1936. But indeed Henry Moore was there, in the work that filled the Palacios del Retiro. The most hopeful factor was the effect upon the general cultural climate. Spain was now entering the world arena, which process the Spanish people were following with close attention. If only Henry Moore could manage to visit Spain, he would see all this for himself.

And so at last, whatever the political tides that for the moment wash about him, we come back to Henry Moore the artist, and to his work, which *we have the chance to see as a* totality as never before. Arranged by theme rather than by chronology, the show points not so much to the particular change, progress and development in the work over an extended period, phase by phase, though they may be discerned readily enough, but rather its essential unity, the consistency of achievement from first to last, and the enduring nature of his preoccupations.

Thus, whether they are the Family Groups that for the moment we find ourselves considering, or the Female Forms, the Reclining Figures, the Draped Figures, the Seated Figures, the Mothers and Children, the Animal or the Organic or the Invented Forms, inevitably we find ourselves moving in imagination between the groups, each confirming and illuminating the others. We realise that the Moore of the early life drawings and carvings, still among the most beautiful things he has ever made, is inescapably the Moore of the very latest huge reclining figures, that the overt surrealist of the '30s is confirmed in the war artist of the '40s, and the symbolist of the '50s.

His graphic work is given a considerable emphasis, rightly so for the most part, and the disciplines of selection and hang have worked in his favour. Those early life drawings alone, with a room to themselves, show us just how fine a draughtsman he can be; and pared down, with attention directed more to the notes and studies than to the more finished works, the Mine and Shelter drawings make a very strong impression. For Moore draws best when there is more to the exercise than drawing for its own sake, when in the life room, mine or studio, the need is to get the information down, or to work out just what the sculpture should be.

At the heart of all the work sits the human figure, most especially the female figure, ambiguously humane possibilities investing even the most abstracted works. Moore has always been a romantic and a surrealist, a kind of anthropomorphist whose great gift has been to see with a splendid simplicity the formal and spiritual consonance between man and nature, to see the human in natural form, and to visit upon the human figure so often the grandeur of landscape.

If Madrid is still too far away, even for a show of this magnificence (and there is the Prado too), Fischer Fine Art offer some consolation in London, showing until June 25 a choice group of small bronzes, some drawings, but principally several suites of hitherto unpublished etchings, including the largest, simplest aquatints I have ever seen.

Seated Woman, and Mother and Child with Apple by Henry Moore

Maxwell Davies in Florence

by WILLIAM WEAVER

For some weeks, even before the current Maggio musicale opened at the end of April (with Muti conducting Gluck's *Iphigénie en Tauride* already reviewed here), the columns of the Florence daily paper, *La Nazione*, have been featuring a kind of running discussion—conducted in terms too civilised to allow its being called a debate—on the nature and aims of the festival. Some writers have suggested that the Maggio is too long (it continues into the second week of July), and a more concentrated calendar would be more effective. Others ask, and with some logic, what characteristics distinguish this festival from a normal opera-and-concert season. And various contributors to the forum indicate the sort of Maggio they think would be ideal: closer to Bayreuth, more like Salzburg, or Spoleto, or Munich, or Edinburgh.

The General Manager of the Teatro Comunale, Massimo Bogianckino, and the artistic director, Luciano Alberti, have also had their say: and the conclusion seems to be that, while the various articles and letters and objections may prove stimulating, the Maggio will continue its course, more or less the same.

One fact has emerged quite clearly from the *Nazione's* articles: if the Maggio, when it was launched in the far-off prewar years, was thought of primarily as an attraction (or reward) for the city's numerous tourists, nowadays it is more consciously addressed to the rapidly growing and ever more demanding Florentine audience itself. And this address probably explains the tendency in recent years to include, within each festival, a kind of miniature festival devoted to a single, foreign composer, featuring a number of his works. Thus, last year, there were several Stockhausen events (with the presence of the composer); earlier, there had been a kind of Britten week; and, this year, the spotlight was on Maxwell Davies, who came to Florence with The Fires of London to present four works over five days.

All of these pieces—*The Lighthouse, The Martyrdom of Saint Magnus, Le Jongleur de Notre Dame*, and *Vesalii Icones*—have been performed in Britain and widely reviewed (and the most recent, *The Lighthouse*, is scheduled for numerous performances this summer at various British festivals). So I need not comment on the performances, except to say that they were of the usual high standard expected of The Fires. Three of the works, however, were new to Italy, and thus attracted critics from all over the country. And even *Vesalii Icones*—presented at the Venice festival in 1970—was unfamiliar to most of the audience (I might add that, seeing the work after more than a decade, I was even more impressed than I had been in Venice and found the performance of dancer-choreographer William Louther—far from being worn by time and repetition—still more exciting and disturbing and impressive).

The critics, in fact, were unanimous in their praise of the performances and, for the most part, also of the music (only the *Martyrdom of Saint Magnus* had some tepid notices; *The Lighthouse* was an almost unanimous hit). At the same time, many of them used these productions—so spare and incisive — as another stick with which to give the Maggio a thwack. It is no secret that some of the Maggio's presentations (especially the elaborate stagings by Luca Ronconi, a favourite at the Comunale) have cost a fortune, though it is hard to imagine *The Ring* — Ronconi's current project—in a stripped-down version akin to the Fires's chamber opera stagings.

"*Davies is not an easy composer to categorise*," one critic wrote, after the first night of *The Lighthouse;* and a certain puzzlement was noticeable in many of the reviews. In *L'Unità*, organ of the Communist Party, Marcello de Angelis used the adjectives "cultivated, refined, eclectic;" but this praise was obviously not politically inspired. In fact, the *Avanti* (Socialist) critic, Mario Sperenzi, was much more cool, with reservations about the whole idea of devoting a festival week to "a composer, certainly respectable, but not of the stature to fill such an important role." Duilio Courir, less politically aligned, writing in the *Corriere della sera* of Milan, said: "one of the most interesting musicians of the next-to-last generation in England." And finally, the *Nazione's* own Leonardo Pinzauti proclaimed the *Davies* week: "a *fertile contact* with one of the most original and prominent personalities in music today."

Leeds Town Hall

Oberon

by ARTHUR JACOBS

To the visitor, the Leeds Musical Festival appears to wear its Victorian dignity rather heavily: there cannot be many other events at which the audience is supposed to rise when the Lord Mayor enters, not only at the beginning of a concert but after the interval as well. But the Leeds Festival Chorus, which in the last century regularly stretched the superlatives of the London critics, is now shrunken in size and in glory. Their miserable showing in Walton's *Te Deum* made me thankful that Friday's concert performance of Weber's *Oberon* had been entrusted in its choral element to the professional forces of Opera North (as the former English National Opera North is now renamed). That company's own orchestra, the English Northern Philharmonia, was in excellent form, and the familiar overture to the opera came over with exhilarating zest under the baton of David Lloyd-Jones.

Oberon is a lame duck—unfortunately for Weber and for England. Produced at Covent Garden in 1826, it is the only opera written in English by a major composer of non-English tongue (until we come to Stravinsky). Potentially knocking at the stage door, seeking a secure place in the repertory, it never quite gets beyond the special revival. The absurdly contrived story of chivalry, set to an uneasy mixture of speech and music, is not redeemed by any depth of characterisation. A sole complete recording has been made — which, to crown our English embarrassment, is in German. Even the long and splendid aria beginning "Ocean, thou mighty monster" emerges in isolated performances more often in German than in English.

That magnificent, show-stopping aria was delivered in the proper language and in thrilling manner by Margaret Curphey—the climax, very fittingly, of this Leeds performance. To the tenor role of the hero, Sir Huon, Philip Langridge brought the welcome combination of fearless high notes, a notably strong lower register, and fine diction—though his vibrato was not always under control. The elf-king Oberon, another tenor, found Justin Lavender in admirable voice, and Sir Huon's servant, Sherasmin, was characterised with apt humour by Michael Lewis. *Fatima demanded a rather* lighter voice, and more accuracy in pitch, than Patricia Price provided. Susan Lees as Puck and Hilary Thomas as a mermaid both sang in excellent style.

The performance omitted not only all the spoken dialogue but also some shorter incidental musical numbers in one of which the composer used the characteristic "*melodrama*" of the time (simultaneous music and speech). Consequently, one was hearing not the opera, nothing continuous, but as it were a series of bright, vigorous, well-contrasted tableaux, *some* with a dab of conventional orientalism, in which genius occasionally flashed forth. Commendable though this was as a Festival event, it would have been more adventurous—perhaps through two or three narrators and a boldly re-written script—to attempt to restore the tension of an integrated drama.

Elizabeth Hall

Ivo Pogorelich

When the jury of last year's Chopin Piano Competition in Warsaw eliminated the 21-year-old Yugoslav Ivo Pogorelich from the competition's third round, they may have guessed what kind of local furore the issue might provoke (*Pogorelich was already firm favourite* with the Warsaw audiences) — but they can hardly have imagined the very curious result their decision would have.

Opinions among the jury were so fiercely divided that one of the most distinguished of their number, Martha Argerich, actually resigned. A nationwide petition was organised; and a delegation of 25 Polish music critics joined the protest by voting Pogorelich a special prize of their own. On the face of it, the young pianist had suffered the first major setback of his early career: but with setbacks like this, who needs success? News of the controversy, it goes without saying, had travelled before him; and at his British debut on Sunday afternoon, Pogorelich was greeted by an enthusiastic and well-filled Elizabeth Hall.

And wherever he goes from now, I don't doubt that controversy will also follow: for Pogorelich's is a massive pianistic talent, flawed and not yet fully developed, projected with powerful confidence and charm. Some will find him irresistible; others may find him palatable only in smaller doses. The detail of what he plays is sometimes less significant than how—and with what consummate style and panache — he delivers it. When the inclination takes him, he can nod shamelessly to the gallery: a gift for showmanship which, if it ever *got the upper hand*, would quickly make him dull. The time for closer focus, and more ruthless musical discipline, will surely come. For the present, glitter and energy exuberantly carry the day: and most important of all, every page of the playing is sprung with adventure, alive with the excitement of discovery.

He has the sensitivity not to labour his quirks: there was much unusual emphasis in his account of Schumann's Symphonic Studies that would quickly have seemed mannered if it had ever been less lightly pointed. The variety of his keyboard invention was always a delight: an orchestral canvas, lit with fine, flashing colour. About a third of the way through Chopin's C sharp mi[...] Scherzo, he seemed to lose [...] *dramatic* thread: but there [...] plenty of excitement nonet[...]less as the gale blew past.

His finale of Ravel's *Gasp[...] de la nuit* I found also excit[...] for its vigour and delicacy, [...] over-stuffed with artifice fo[...] masterpiece already, in piani[...] terms, so intricately bejewel[...] — closer attention to dynam[...] and a steadier pulse, would h[...] have made the performa[...] still more gripping. I was [...] entirely decided whet[...] Pogorelich's first encore of [...] Scarlatti sonata could be [...] example of high art or h[...] kitsch: both perhaps — in [...] odd and slightly crazy fashi[...] at once absurdly wrong and [...]tremely beautiful.

★

In the second paragraph [...] my review last Saturday [...] Antal Dorati's 75th-birth[...] concert with the RPO, I [...]cluded the word "very" int[...]tionally three times: but the [...]tervention of some gre[...] made the word appear on e[...] occasion in italics—thus la[...]ing my remarks a gratuito[...] sarcastic and condescend[...] tone that was quite unintend[...]

DOMINIC G[...]

Wigmore Hall

80th Anniversary Gala

Eighty years ago on Sunday, the Wigmore Hall opened its doors for the first time as the Bechstein Hall, bearing the name of the piano maker whose showroom was then next door. For that opening concert the performers were Feruccio Busoni and Ysäye; the following night there was a recital by Vladimir de Pachmann. For all its partial eclipse in recent years by the *arriviste* South Bank, the Wigmore Hall (it was rechristened thus in 1917) has always maintained an ability to attract the biggest names, and on the 80th birthday night itself the anniversary was celebrated by an imposing constellation of talent.

The merry-making lasted well over three hours. If there was naturally an emphasis on the frivolous and light-hearted, there were serious items also, *before a finale involving all the* performers in a selection of party-pieces. Of the utmost seriousness was Benjamin Luxon's and David Willison's account of Mussorgsky's *Songs and Dances of Death*, registered far more deeply and with greater thrust than in the recording made by the same partnership some years ago, the "Lullaby" now a vivid dramatic *scena*, "Trepak" a hobbled dance of constantly accumulating menace. Stephen Bishop-Kovacevich played the set of Beethoven's Bagatelles Op. 126, and in the finale Schubert's G flat impromptu from D.899, performances both deeply thoughtful and relaxed; Bishop-Kovacevich's playing unencumbered by technical problems is invariably penetrating and revealing.

Gary Karr with Harmon Lewis and John Williams provided familiar recital fare: Karr a *transcription for double bass of* a violin sonata by one Henry Eccles, banishing technical pr[...]lems so completely as [...] disguise the virtuosity, Willia[...] four pieces by the Paragua[...] guitarist Barrios. The So[...] makers' Almanac furnished [...] selection from its program[...] "If Fiordiligi and Dorabe[...] had been Lieder singers . . . [...] Ann Murray and Felicity L[...] each gave one song from Wo[...] *Italian Songbook*, Murray's "[...] jungen Leute" a quite dele[...] able offering, and together sa[...] Brahms's "Die Schwester[...] The pianist was Geoff[...] Parsons, Graham Johnson bei[...] on tour with another part[...] the infinitely divisible Alman[...] Parsons was also [...] accompanist for Lucia Pop[...] appearance in Dvorak's Fo[...] songs "In folk tone," a disp[...] of vocal control that came cl[...] to stealing the evening. "A[...] neni tu" perfectly pois[...] sustained at times on the tin[...] thread of tone.

ANDREW CLEMEN[...]

FINANCIAL TIMES
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Tuesday June 2 1981

Time to rethink on Lebanon

THE CRISIS in Lebanon is not about missiles. It is about whether Lebanon can exist as a sovereign state in its present form and, if so, under what conditions. It is also a crisis springing from the absence of momentum in the search for a solution to the Arab-Israel conflict and how best to reconcile the legitimate aspirations of the Palestinians with the understandable fears of the Israelis.

The premise that the U.S. is or, indeed, ought to be merely negotiating the withdrawal of the Syrian missiles in the Bekaa valley in return for some comparable quid pro quo from Israel is dangerously short-sighted. A reduction in tension in the Bekaa is, of course, a priority and would be welcome. But it should only be a very small first step if this latest crisis, perhaps the most serious since the civil war in 1976, is not to be repeated soon enough. The present instability is too dangerous to be allowed to provoke one crisis after another.

Complex

Two important changes have taken place in the political landscape of Lebanon which call for a reassessment. The first is that Lebanon, as many people would like to believe it still exists, is a fiction. The unitary, centrally-governed state has been replaced, not by a partitioned Lebanon (that definition is too simple), but by a balkanised and desolate strip of territory governed by feuding war lords and their foreign paymasters. A return to the old Lebanon, it should be recognised, is impossible. The situation is too complex; too many irreconcilable interests are at stake and too much blood has flowed.

This is not to suggest that the disintegration of Lebanon should be formalised. That would be unthinkable for the international community and disastrous for the Arab world which is already beset by widespread sectarianism and separatism. But a new formula, possibly along federal or cantonal lines, must eventually be found.

The second fundamental change is that Lebanon is no longer a neutral buffer state in the Middle East. It is now part of the front-line. Like it or not, both Syria and Israel can claim that their vital national interests are closely linked to its fate. Syria will not withdraw its missiles unless the Israelis show restraint in Lebanon and unless their alliance with the Christian militias is seen not to threaten Syrian security. No Israeli leader, of whatever political persuasion, would agree to keep his troops out of Lebanon unless the Palestinian guerillas can be controlled. And for that to happen the Arab world will have to be persuaded that tangible progress is being made towards finding them a home.

Political gains

An additional problem is that both countries have derived substantial political gains from the increase in tension in Lebanon. President Assad of Syria has partly restrode his battered image at home and rallied the Arabs to his side. Mr Menahem Begin, the Israeli Premier, is enjoying a remarkable increase in popularity in the run-up to the elections at the end of June. At this stage neither really has an interest in seeing the problem comprehensively solved.

The present U.S. administration appears to have downgraded the Arab-Israeli conflict in its list of priorities, believing that the U.S. to recognise the root cause of the problem will make it more likely ... The potential harm posed by a running sore which touches every nation in the area. Perhaps Mr Philip Habib, the U.S. envoy, can do something to change the attitude in Washington. Perhaps he can also persuade Mr Reagan that the Lebanese problem is inextricably linked to the issue of Palestinian self-determination and that the first problem cannot be solved without tackling the second.

Root cause

A war between Syria and Israel is against the best interests of both of them and is not inevitable. But a refusal by the U.S. to recognise the root cause of the problem will make it more likely and could, ultimately, find the Americans trying to contain a much wider conflict.

The march of Mr Benn

"EVEN THE MOST partisan advocate of the new electoral college system of election for the deputy leadership of the Labour Party must now admit that it is bordering on farce. So haphazard is the timing of entry of the candidates and so arbitrary are the rules under which the canvassing takes place that it is developing into a confusing and divisive contest, in no way conducive to gaining advocates for a wider franchise in the party."

Those are not our comments, although we agree with them. They come from an editorial in the current edition of Tribune, which calls itself "Labour's Independent Weekly," which has always prided itself on being on the Left wing of the party and which actively campaigned for a method of election which would take power away from Labour Members of Parliament and give it instead to party workers in the constituencies and the trade unions.

Exploitation

The Tribune editorial does not attack Mr. Tony Benn directly; nor is there any reason why it should. Mr. Benn is merely exploiting a system, and it is the system that is absurd. It is as well to be aware, however, of where the exploitation might lead.

At least until recently there was a natural tendency to regard Mr Benn as an engaging, if somewhat eccentric figure who had changed his mind on many subjects — pro-Common Market, then anti, pro the mixed economy, then the reverse—but whose English sense of humour prevented him from looking dangerous: a Kerensky rather than a hard revolutionary.

That judgment must now be revised. Take, for instance, the long interview which Mr. Benn gave to London Weekend Television last Sunday. Mr. Benn made it perfectly clear that he is out for the control of the Labour Party. There is no reason why he should not run for the deputy leadership and it is natural that an ambitious politician should aspire to be number one. But Mr Benn seeks control in a different way from the others. It is not the leadership that he is after so much as the power to enforce decisions all the way down the line. He wants a party of activists rather than a party of democrats. The activists would take the decisions and the party would carry them out. The process is known in Marxist literature as "democratic centralism."

Trade unions

Mr Benn also appears to be gaining ground. Only a fool would now bet heavily against his chances of winning the deputy leadership in the autumn. If he loses then, he will run again next year. If he wins, he will go for the leadership and who is to say that Mr Michael Foot will be able to stop him? Mr Benn is insensitive to charges that his activities are wrecking party unity. He wants a party in his own image, or rather the image of his activist supporters.

All this is being done within the rules or — more accurately — the lack of them. It is extraordinary that trades union conferences should be meeting now to decide whom to vote for in a contest several months ahead and without even knowing the full list of candidates. It is also striking that the union voting procedures seem less than democratic.

That is the inheritance of the years of neglect of the party organisation. One consequence has already been drawn. It is the departure of some of the party's most able people to form the Social Democrats: there is an embryo Labour Party in the wings. Another is that the organisation as it exists at present is weighted in favour of Mr Benn and anyone who wishes ruthlessly to exploit it. That is the measure of the task now facing Mr Denis Healey and others who are now belatedly seeking to fight from within.

Election

The national consequences may be less than the participants expect. It is quite possible that the next general election will be fought mainly between the Social Democrats and the Conservatives. Nevertheless, we wish Mr Healey well. It is something that Tribune and some of the Tribunite MPs have seen through Mr Benn.

UK NUCLEAR PROGRAMME

Sizing up the cost of Britain's new PWR project

By David Fishlock, Science Editor

A scale model the like of which has never been seen in Britain before is swelling to fill a large room at Whetstone, near Leicester. When complete it will have cost about £4.5m. Late next year, learned counsel may find themselves arguing the nuances of engineering design and radiation protection across its glistening white walls.

But the model could turn out to be a white elephant, not even appropriate for a British museum, because the plant it represents may never be built in Britain. Unless its sponsors can conjure a dramatic turnaround this summer in the fortunes of their project, there may never be sufficient political resolve to see it through.

The model is of Sizewell B, the first commercial power station based on the pressurised water reactor planned for Britain, for the Sizewell nuclear site of the Central Electricity Generating Board, on the Suffolk coast. Sizewell B is planned as the first of a series of 1,150 MW nuclear reactors for the British electricity system. The Government believes that Britain may need to order as many as 10 over the decade 1982-92, to meet growing demand for electricity and to replace ageing coal-fired stations. They will use, unchanged, a Westinghouse Electric design of reactor, with modifications to some of the provision for safety wrapped round the PWR itself.

The final model, 1/20th scale, will show every significant design detail of the complete station, down to the last piece of plumbing, and how it is anchored in place. The project manager will also use the model to identify "packages" of equipment which might be factory-assembled and tested, and wheeled complete on to site. (The Royal Navy plans to do this for a complete PWR weighing 1,600 tonnes that it is building in Scotland, as the prototype of its new submarine reactor.)

Executives of the National Nuclear Corporation say that had they used such a model to plan plant layout and work schedules for nuclear stations currently under construction at Heysham and Hartlepool, they could have avoided many costly hiccups. They were introduced to it by Bechtel Corporation, the U.S. architect-engineer group which was called in — for the first time — to assist NNC on the Sizewell project. The NNC draws together GEC, the UK Atomic Energy Authority and British Nuclear Associates (Taylor Woodrow, Clarke Chapmen, Babcock and Wilcox, McAlpine, Head Wrighton Whessoe and Strachan and Henshaw).

Sizewell B is being designed to a very tight schedule, set by the CEGB's original desire to see a start to construction early in 1983. The "reference" design and safety case was delivered to the Nuclear Installations Inspectorate in April — a few weeks behind schedule. NNC has promised to deliver the final design and full safety case before the end of this year. The nuclear inspectorate then believes it will need about four months to complete an assessment. It has already been studying the PWR from the standpoint of British PWR station requirements since the mid-1970s. The target date set

The two real problems —radiation exposure and lack of time

for public release of the design and safety case for Sizewell B by the nuclear inspectors is May 1982.

A few more months must then be allowed for critics of Britain's nuclear expansion plans to examine the Sizewell safety assessment. This suggests that the promised public inquiry into the project cannot take place before October or November 1982 at the earliest.

The reference design and safety case have been the combined effort of four teams: those of the NNC, led by Mr Reg Flint, joined with Bechtel, Westinghouse Electric and the CEGB. It identifies all major design features, including the choice of nuclear steam supply system (NSSS). The NSSS chosen is the one installed in Union Electric's Callway power station, approaching completion near Fulton, Missouri.

All told, there are 15 Westinghouse plants of this size in operation, and another 43 are under construction—all scheduled to be in operation before Sizewell B. This, it is argued by NNC, is important in demonstrating that Sizewell B will be no prototype but a very well-tried design.

To meet the current UK philosophy on commercial nuclear safety, however, Sizewell B is expected to have four instead of two independent emergency core cooling systems to protect the reactor core against serious accident.

The designers are proposing a circular, double-wall containment, the outer or secondary containment of which also wraps round the extra emergency cooling equipment. The primary containment is a cylinder of pre-stressed concrete, and the secondary containment is of reinforced concrete. The result is a containment 48 metres in diameter, compared with 43 metres at Callaway.

At Whetstone they are scornful of the PWR critique published last March by Friends of the Earth. "If we can't deal with this without standing on our heads, we deserve to lose," says Mr J. C. C. Stewart, an NNC director. Nevertheless, there are two very real and inter-related problems, which between them could cause the whole project to founder.

One problem is radiation exposure of operators and maintenance staff. Compared with Britain's present gas-cooled nuclear systems, the PWR is a relatively "dirty" system. Typically, from U.S. experience, operator exposure will be 10 times as high as that from the small Sizewell A Magnox station standing alongside the Sizewell B site. A big British advanced gas-cooled reactor (AGR) station would give only two or three times as much radiation as Sizewell A.

The designers are striving to bring the PWR exposure down to four or five times that of Sizewell A. Even at this level, however, they are vulnerable to criticism by unions unwilling to accept any lowering of present standards. To minimise the dose to its maintenance staff, the designers have built in much more concrete shielding, leading to a design which in one critic's view is "too big, too complicated and too costly." It is said that Sizewell B uses twice as much concrete as the Callaway plant which the designers were supposed to be copying.

The other very real problem is the clock. The designers admit they have left themselves little time to trim costs by "fine-tuning" their plans before the final design and safety case must be delivered this autumn. They fear it will turn out to be an expensive station compared with the PWR's being built in the U.S. and France, uncomfortably close to the cost of the new advanced gas-cooled reactors. In evidence to the Select Committee on Energy last year, the CEGB suggested that the UK plant could cost 34 per cent more than the identical plant in the U.S. In fact, it could prove to be higher, 50 per cent or more, especially if certain parts of the reactor are fabricated in Britain instead of being imported.

In parallel with its efforts to complete the design, the NNC is drafting a procurement policy for Sizewell B. This will be presented for discussion by the nuclear industry this summer. Present indications are that, in order to keep the capital cost of Sizewell B to a minimum, many large items of the reactor itself already in quantity production abroad—in France, for example—may have to be imported.

Imports may add up to half the value of the primary circuit of the reactor, and include most of the high-technology parts. But the prices will reflect the advantages not only of a decade of French engineering experience with the commercial PWR but of long manufacturing runs for 34 PWRs so far.

NNC member companies which stand to lose most from present plans to place major orders for Sizewell B's reactor components abroad—very probably in France—include Babcock and Wilcox and Northern Engineering Industries.

The real risk to PWR plans, which could gather weight and strength and engulf the project, is that for too many people with no "ideological" objections to the PWR the advantages may nevertheless seem too slight to be worth the bother. The NNC still sticks by its assertion that the PWR will work out 10-15 per cent cheaper in capital cost than the AGR. Some would claim such a differential as considerable. Others say that it is too slight, given all the other uncertainties in UK power plant construction — as underscored by the recent Monopolies Commission's report on the CEGB.

All these possibilities are now to be explored in the joint review of the reference design undertaken by the CEGB, the UK Atomic Energy Authority and the NNC this summer. The weakness of the argument for major changes in the reference design — for example, in radiation protection shielding or in safety systems to try to trim costs — is *not* that it could provide a field day for PWR opponents.

The real weakness is that it is bound to cause further delay in the project already having great difficulties in meeting its target dates. A delay of just a few months could push the public inquiry well into 1983—and make nuclear energy an election issue for Britain.

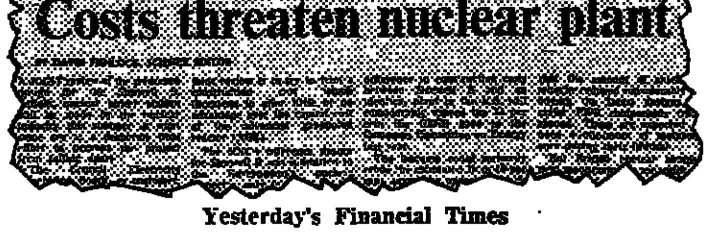
Stainless steel "internals" for a large Westinghouse PWR take shape in the hands of an American craftsman.

PROS AND CONS OF THE TWO REACTOR TYPES

AGR: The nuclear reactor Britain is building at present is the AGR (advanced gas-cooled reactor), invented and developed in Britain. It is the successor to the Magnox reactors, starting with Calder Hall, and is also cooled by carbon dioxide gas. Of a total of 14 660 MW AGRs ordered in Britain, four are operating, one is loading fuel, and nine more are still under construction.

PWR: In 1977 the National Nuclear Corporation concluded that the U.S.-invented PWR (pressurised water reactor) of about 1,150 MW capacity should work out 10-15 per cent cheaper to build in the UK than equivalent AGR capacity. The PWR, originally developed for submarines by the U.S. Navy, is an inherently simpler and more compact reactor.

More commercial reactors of this type are operating worldwide than of any other type. France alone has 34 in operation or under construction and is commissioning them at the rate of six to seven a year.



Yesterday's Financial Times

Over the past year, since detailed design work on Sizewell B began, Britain has encountered serious problems in matching international construction costs. There are several significant reasons: the particular requirements needed to match the safety and radiation exposure standards achieved in Britain with its gas-cooled reactors; the absence of indigenous manufacturing capacity for key components; the management problems of the UK construction industry; and the uncertainties of the nuclear ordering programme for the 1980s.

MEN AND MATTERS

In the post

The Rand Daily Mail, South Africa's most famous English-language newspaper, and an unrelenting critic of the National Party Government, is going through traumatic times. It is expected to make a record loss in the current year, the sixth loss in succession, circulation is only just begining to recover from a drastic drop after a sharp increase in its cover price a year ago, and at the weekend, the Board of Directors sacked its crusading editor, Allister Sparks.

No reason was given for the move—although rumours of it have been rife in Johannesburg for weeks. But many of the staff see it as a political act, aimed at toning down the newspaper's anti-Government line.

Sparks himself described it, in his farewell speech to the staff yesterday, as a "pretty appropriate Republic Day celebration"—a wry reference to the contentious 20th anniversary of the Declaration of a South African Republic. Another commentator, a committed white liberal, described the move as "the most devastating blow yet dealt to the opposition Press.

Sparks was named joint international editor of the year by the Atlas World Press Review for his newspaper's role in exposing the "Muldergate" scandal—the revelations of an internal slush fund to buy support for South Africa which resulted in the resignations of both *Information Minister,* Connie Mulder and Prime Minister, John Vorster. He has maintained a passionate belief that journalism in South Africa must be committed to a cause —in his case, non-racialist, moderate liberalism.

Fears for the future of the Rand Daily Mail may be too harsh on the man appointed as Spark's successor. Tertius Myburgh, current editor of the Johannesburg Sunday Times, the most profitable newspaper of the South African Associated Newspapers Group. But Myburgh, though a long-time Government critic, is now expected to run both newspapers as joint editor—and a conservative appointment is expected as managing editor of the *Mail,* the man who will be in effective control.

Allister Sparks' successor has an unenviable task. He has to try to make the newspaper, which caters for both blacks and whites, at opposite ends of the economic spectrum, into a profitable enterprise. The Mail has both the best business coverage and the best coverage of black politics in South Africa.

But he also has to occupy a seat from which five editors in a row have now been evicted unwillingly by their conservative Board. Uneasy lies the head. . . .

Maître d'hôtel

A robust Sir Hugh Wontner looked anything but retiring in his defence of the Savoy Hotel's independence at yesterday's annual meeting.

Retiring, however, turned out to be very much on his mind, as he revealed late in the meeting. "You will not," he told shareholders, "be seeing me here very much longer." The precise date, he added later, has not been agreed—"I will stay on for a little while longer."

Wontner, now 72, has been in the Savoy chair since 1948, having become managing director seven years earlier. He was *elected as the group's third* chairman in succession to Rupert D'Oyly Carte, son of the founding chairman and father of Dame Bridget D'Oly Carte, who was re-elected to the Savoy board yesterday. Wontner was Lord Mayor of London in 1973-74, and has been Clerk of the Royal Kitchens since 1953.

Shareholders also learned yesterday that the Savoy may now be prepared to offer them the perk of discounted rates for off-peak season rooms. "It has been discussed before," says Wontner, "and I really don't see why not."

Bent on Renton

Tim Renton, the Conservative MP for mid-Sussex, returned to Westminster yesterday to find himself at the centre of speculation about a new political Party, less than two weeks after he was forced to resign as Parliamentary Private Secretary and general bag carrier to Trade Secretary John Biffen over his refusal to back the Government's plans for a bank tax.

Renton's name appeared—albeit under cover of a heavy black line—on an invitation to a reception at the House of Commons yesterday for the Democratic Association. The reception didn't actually take place—not least because Renton refused to host it—but a score of would-be Democrats did apparently meet over the road at Central Hall.

The Democratic Association is the latest attempt by Sussex businessman, Alan Hawton to get a new Democratic movement going in this country quite independently of anything Shirley Williams, and the other better known Social Democrats, might be trying to achieve.

Last month, he held a reception at his home in Sussex to re-launch the Democratic Party which he first floated in 1974—"on the centenary of the birth of Sir Winston Churchill"—with the aim of promoting "true democracy" in Britain and Europe. Its aims include "leadership and country first before partisan politics," and "restoration of moral dignity," together with a "national pay and prices structure encouraging peacework (sic) and full support for trade unions." Its slogan is "Sell British, buy everywhere."

Despite an extensive mailing shot, last month's reception did not get much publicity, so Hawton evidently decided to have another go. As a constituent of Renton, he turned to him for help, and last week appeared at the MP's house asking him to sponsor a reception at the Commons. He brought with him a copy of an invitation with Renton's name already printed on it in the space reserved for the "sponsorhost."

Renton, who has had quite enough trouble already with the Whips over the last few weeks, declined. He was therefore astonished to find out yesterday that the invitation had gone out to MPs. His name had been scored out, and there was a blank space for the host, but it did not take much detective work to find the Renton name underneath.

Despite the lack of a Commons reception, the new Association is apparently open for membership, and plans opening London and Federal regional offices shortly.

Of course

Overheard in a Soho restaurant: "I promise there isn't anybody else, darling. That's why I'm dining here with you."

Observer

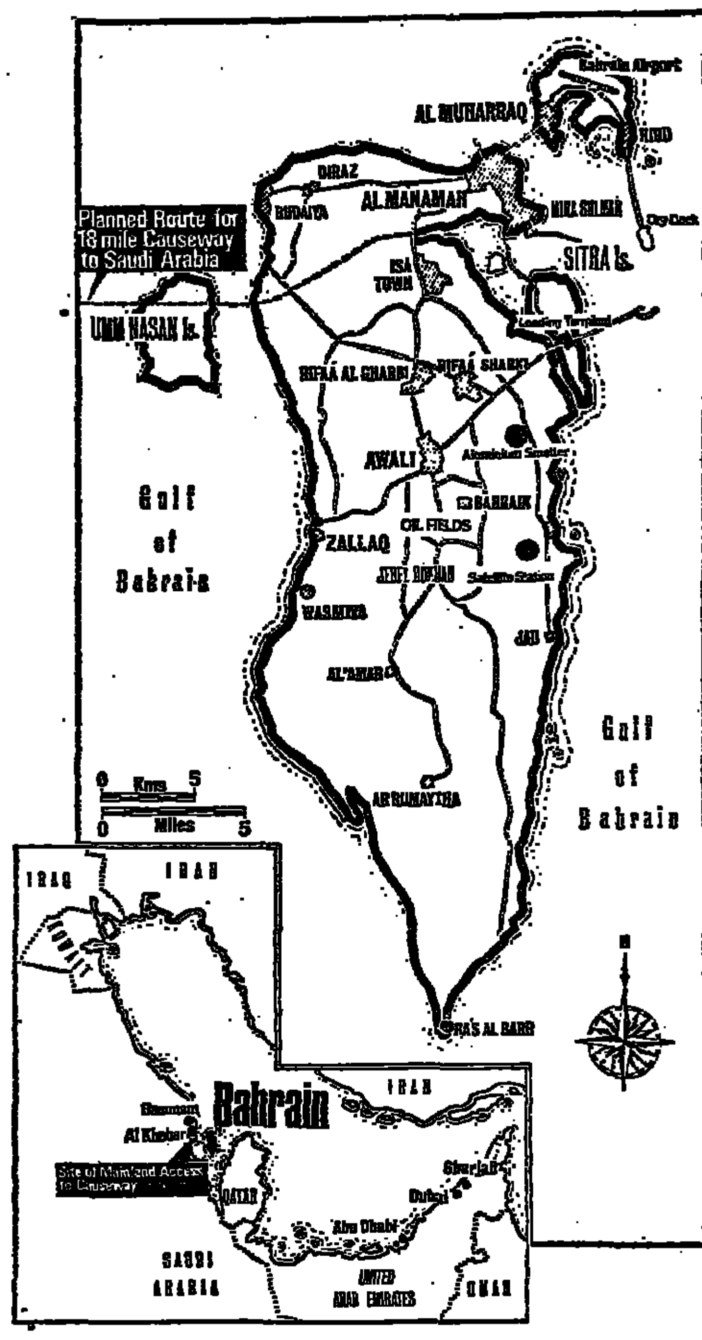
FINANCIAL TIMES SURVEY

Tuesday June 2 1981

هكذا من الأصل

Bahrain

Bahrain joined its neighbours in the foundation of the Gulf Development Council last week and is finally preparing for work to begin on a causeway to Saudi Arabia. Regional integration will be critical to a major expansion of the island's industrial base and its role as the prime service economy of the Gulf.



Centre of Gulf's joint ventures

BY DUNCAN CAMPBELL-SMITH

BAHRAIN is a tiny island-state in the Gulf, half of it uninhabited desert—save for a few precious gazelles—and half of it the home for centuries of a flourishing mercantile community. Its entire settled area could still today be easily accommodated within the newly-built airport at Jeddah.

Although Bahrain has only the proportions of a municipal borough, it is a singularly accomplished and industrious community with a rare civic pride. Indeed, the image preferred by Government ministers is that of the Greek city-state—and this is not so fanciful.

Stability

Certainly, ministers speak with an Aristotelian enthusiasm about the essential character of the island.

"It is a middle-class country," says Mr Ibrahim Abdul Karim, the Finance Minister: "This is what has ensured our stability and we would like to keep it that way."

There are few signs of change. Bahraini society remains dominated by its merchant families, many of whom (both Shia and Sunni moslems) crossed originally to the island from Iran.

An influential European expatriate community has grown *significantly.* *(Foreigners comprise 32.4 per cent of today's 360,000 population against 18 per cent 10 years ago).* But it, too, fits neatly into Mr. Abdul Karim's characterisation and has been warmly welcomed as a vital ally in the full modernisation of the country.

Pursuing this task, ministers need spend little time defending their departmental interests against the benign and generally enlightened autocracy of the ruler, Sheikh Isa bin Sulman Al-Khalifa, or his family. Nor are they restrained by any formal political assembly outside the cabinet.

Instead, as one expatriate manager observed: "They behave like successful corporate executives, with a career stake in the job at hand." They administer a Government which few expatriates doubt can offer an unrivalled base for their Middle Eastern operations. A trading community has grown, accordingly, into a centre for banking, other financial services and joint industrial ventures, with which Bahrain's present and future role in the Gulf is now clearly identified.

Achieving this role never presented quite the daunting challenge faced by the architects of some neighbouring states. Bahrain this year celebrates the fiftieth anniversary of the Gulf's first oil strike—on Christmas Day, 1931—and the fortieth anniversary of its first national census, designed to *prepare for wartime rationing.*

Both anniversaries are reminders of the long and gradual transition to relative opulence which, as remarked by the English adviser to the present Ruler's father and grandfather, has been "the saving grace for Bahrain."

Broad expansion

Above all, and with appropriate moderation, the island's natural wealth has provided enough oil but not too much. The coat has been cut according to a barely sufficient cloth for *some decades*—and an economy tailored to be independent from surplus oil wealth is well advanced.

Industrial development in Bahrain passed through its first major stage in the 1970s and stands now on the threshhold of a broad expansion. But the achievement of a post-oil prosperity is also, and more subtly, to be identified with the island's growing reliance upon *an integrated regional economy.*

Increased co-operation with other Gulf states is a theme of every economic activity from petrochemicals to shrimp fishing, from the off-shore banks which have pioneered the region's financial development to the industrial ventures which have co-opted shareholders from every neighbour. Its logical physical expression is the proposed construction of a causeway to the Eastern Province of Saudi Arabia, just 18 miles away.

This massive project has been under discussion for almost 20 years. Contract specifications were originally put out early in 1979. A contract has still to be signed. But it was reported last week that a Dutch-led consortium had finally been offered a mandate as main contractor, which could lead to closing negotiations and a signing later this month.

The Ruler of Bahrain, Sheikh Isa bin Sulman Al-Khalifa

The logic of a causeway, however, is sometimes less eagerly embraced than the causeway's protagonists will admit. Many educated Bahrainis cherish their identity as islanders. Much of the undoubted apprehension about being joined to the mainland amounts to a profound feeling that what God hath put asunder, no man should join together. And there are less elevated reservations about the impact on Bahrain's traditionally liberal society of any marked increase in the number of Saudi visitors.

The economic arguments for *a causeway are persuasive,* if not entirely convincing. It costs more today to ship freight from Bahrain to the Saudi port of Dammam than to Osaka in Japan, such are the economics of ocean transport. A road link would surmount this problem *and might attract more con*tainerised traffic to Bahrain, allowing the island to warehouse goods destined for a number of Gulf countries.

It could also create a natural hinterland for the light manufacturing sector on the island, *which is presently very limited.*

Mr. Youssef Shirawi, the Minister of Planning and Industry, does not dispute that visible trade with Saudi Arabia would flow mostly into Bahrain. But he believes that access to a larger market would never*theless* prompt a *significantly* increased export of goods as well as services from Bahrain.

"This does not mean that we hope to be the Hong Kong of the Gulf," he said recently. "But there are certain high technology industries which might flourish by assembling imported components and ex*porting them to complement the* heavy industrial ventures in the region."

The speed of change in the high technology sector is a problem which is presently taxing a number of developed countries, not least in Western Europe. But Mr Shirawi is a man with a cause—if not yet a causeway, since the project has been so interminably delayed over the past decade.

In addition to the economic considerations are those of security and the needs of Bahrain's foreign policy. Sheikh Mohammed bin Mubarak, the Foreign Minister, has no doubt that the causeway will be a vital step towards closer relations in the Gulf.

Another and perhaps historic step in this direction was taken last week, when Bahrain's ruler met with the Heads of State of five neighbouring countries in Abu Dhabi to sign the founding *charter of the Gulf Development* Council. As well as providing a basis for closer economic co-operation, the Council marks an important shift towards the idea of keeping the Gulf independent from either superpower's military strategy in the *region. This non-alignment goal* was not unanimously endorsed in Abu Dhabi, however, and some disagreement emerged over defence policy which was shelved to allow progress to be made in less sensitive areas like commerce, wealth and *education.*

Huge project

Bahrain, with the others, is now pondering the security question ahead of future meetings of the Council. But it is hardly in doubt that Bahrain will be aligned with Saudi Arabia and Kuwait in any further debate prompted by Oman's overtly pro-American stance towards the defence needs of the Gulf.

The need for Bahrain to face the world in unison with its immediate neighbours — and particularly Saudi Arabia—is a simple fact of geopolitical reality. And Mr Abdul Karim happily concedes that it is in this context, as "an expression of political goodwill," that the causeway itself is of most real importance.

The question is whether it might not one day prove rather a mixed blessing should Bahrain's goodwill ever be less than fully reciprocated by her mainland neighbours. For the island's political development to date, as one senior diplomat remarked, has owed much to it remaining "a distinct and individual entity."

To diminish this precious asset might invite destabilising influences far more immediate to Bahrain than the war at the head of the Gulf and the turmoil in the Levant, though these are close enough. And it is the danger of foreign instigation, as many think, which now comprises arguably the

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Government prepares for an ambitious course

ECONOMY

DUNCAN CAMPBELL-SMITH

"A FEW BRUISES—but no scars and no internal bleeding." This is one official verdict on the health of Bahrain's economy, after a hectic inflationary sprint through the mid-70s. Certainly, it was a bruising time. Convalescence in 1978 and 1979 involved deflationary Government policies which pulled the economy's growth sharply to a halt.

Now the economy is up and running again. The Government has an ambitious course staked out for it and the risk of a repeat performance with more overheating is evident enough. But almost as striking as the Government's ambitions are its plans to help the economy pace itself rather better this time round.

Elaborate budgeting has a long history in Bahrain. Shortly after commercial oil production began in the early '30s, the present Ruler's far-sighted grandfather, Sheikh Hamed, accepted that one third of his revenues should be set aside for administration and development and one-third for a Reserve Fund and 'productive schemes.' (The rest comprised his Privy Purse.)

Today, when oil revenues look set to give Bahrain a budget surplus for only a few more years, the plans are rather more complex, but display a similar prudence.

"Administration and development" equate to the recurrent and capital expenditure sides of the budget. They are kept carefully distinct, with their own spending targets.

In 1980, actual capital expenditure at BD 125m did not meet its BD 150m target. The shortfall was not made available for recurrent spending even though the latter's unchanged BD 192m budget required some cutbacks to pay for an unexpected 6 per cent increase in Government sector wages early in the year. (With 20,000 employees, this sector still sets the basis for wages throughout the economy.)

Expenditure

The result was an aggregate Government expenditure which, at BD 317m, was actually less than the originally budgeted 1990 revenue of BD 320m as well as less than the BD 347m spending target. (Some deficit financing from State Reserves had been planned.)

The same caution was evident last year in the Government's handling of unanticipated oil revenues. Higher oil prices—plus some larger than expected cash grants from Gulf neighbours—meant total actual revenues of BD 439m.

The BD 122m surplus was withheld from the money supply and transferred to State Reserves—and has been used to help fund a rather special "productive scheme," namely the purchase of 60 per cent of the Sitra oil refinery from Caltex Ltd.

Last year closed with a Supplementary Budget which acknowledged these various revisions and prepared targets for 1981 (a higher recurrent expenditure of BD 240m in addition to an unchanged capital spending target of BD 156m).

This kind of rigorous yet flexible administration of the economy offers grounds for optimism that, indeed, "lessons have been learned" as Government officials are wont to remark with some regularity. Their confidence may partly reflect the buoyancy of an economy presently placed at the optimum point on the road from recovery to boom. But after three successfully planned years, one of Bahrain's economic priorities—effective central management — does appear well in hand.

Priorities

Housing, health and education figure prominently among the other priorities. Mr. Ibrahim Abdul Karim, the widely respected Minister of Finance, explains that welfare expenditure in one form or another must be a major consideration in every budget since it is one key to political stability and the development of Bahrain's manpower—ultimately the two resources of most lasting value to the country.

However, Government expenditure generally is the key to the economy also in a more immediate sense for the simple reason that it generates about two-thirds of the island's Gross Domestic Product.

The 1980 public expenditure figure produced between January and October last year an 18.5 per cent increase in the money supply—dinar cash, demand and time deposits—compared with 2.4 per cent in 1979 and 10 per cent in 1978 (and 64.9 per cent in 1976).

There are two complications over money supply. One, inflation, could arise if monetary growth is too fast. The other, capital outflows, could seriously curtail monetary growth or at least make it too unpredictable.

The 1981 inflation estimate is 10 to 11 per cent, against the official 8 per cent figure for last year. But the Government is comfortable with such a small increase — and it still subsidises many basic imports, chiefly foodstuffs, which itself makes *any* inflation figure slightly academic.

It also combats inflation by trying to restrain bank lending charges, via the regulation of deposit rates. But this leads directly to the second complication. With dollar deposit rates at their current levels, dinar rates of 8½-10½ per cent provoke arbitraging which periodically causes a severe haemorrhage of the domestic currency as borrowed dinars are (indirectly) sold back to the central bank for dollars.

The outflow was particularly heavy in December and preliminary figures also show a net decline of 0.6 per cent in the M2 money supply for the first quarter of 1981. New measures were introduced in April (and are described elsewhere in this survey) to help deal with this problem, which could pose a serious obstacle to boosting the money stock in line with a renewed GDP growth.

In constant 1977 prices, Bahrain's GDP grew from BD449m in 1973 to BD743m in 1977 and then remained just around BD790m in 1978 and 1979.

The Government's estimate for 1980 is BD831m, representing a 5.4 per cent real growth rate which Mr. Isa Borschaid, the Under Secretary for Planning, says was readily apparent in the increased economic activity, *especially in construction*, of the last quarter of the year. And he looks now for a sustained period of growth at real rates as high as 7-8 per cent per annum.

The basis for much of this *growth* will be the 1982-5 Development Plan. It envisages capital expenditure of more than BD 1bn. It also represents a prodigious effort by all the government's spending departments, which submitted their proposals in December and January.

Joint ministerial committees are now preparing a final report which Mr. Abdul Karim intends should be ready by August. Three months will then be spent integrating it into the development figures of two pro-forma *budgets* for 1982-3 and 1984-5 to produce a final package by the end of this year.

The *aim* of the Plan, says Mr. Abdul Karim, is to enable Bahrain to complete by 1990 what it started around *1970:* the installation of a modern infrastructural economy.

In addition to the welfare priorities, this infrastructure must, however, meet another need which distinguishes Bahrain from its Gulf neighbours—the need for jobs. And to provide jobs, the Plan must expand Bahrain's *industrial* sector.

What exactly might be the appropriate size for this sector, no-one yet seems quite clear. The principal items in the impending second wave of industrialisation are reviewed later in this survey along with the results of the first wave. A feature which many of them share is an equity participation by one or more of Bahrain's neighbours, particularly Kuwait and Saudi Arabia.

Implications

And what these shareholders regard as an appropriate level of industrialisation is clearly going to be of some consequence. Their encouragement for Bahrain to develop its role *as an industrial centre* of the Gulf has profound implications for the management of the economy and its growth potential.

Non-Bahraini shareholdings in the new industrial ventures will surely make it more difficult *for the government to slow* down or accelerate their progress to suit the health of the macroeconomy. Each will represent a plethora of vested interests, not all of them necessarily over-concerned in practice with the niceties of *Bahrain's Development Plan.*

Some of these ventures seem likely, too, to generate substantial incidental spending which might create more inflationary preessure. This is particularly the case with the proposed Causeway, where the massive sums involved are no part of the Bahrain Government's own expenditure projections but will inevitably boost the domestic economy.

The Causeway is seen by its protagonists as a vital catalyst for that closer integration of Bahrain into the regional economy which is a second major implication of the joint ventures. Mr. Shirawi, the *Minister of Planning and* Industry, believes Bahrain could even aspire to its historical *entrepot* role, looking to the Eastern Province of Saudi Arabia, and beyond, as a hinterland.

But Bahrain already does this *in the services sector—especi*ally banking and insurance—which is such a fundamental part of the economy. To go further than this would surely mean developing a significant light industry sector, capable of adding value to imported components and re-exporting them.

Mr. Shirawi hopes the private sector will rise to this challenge and believes Bahrain can offer a better environment for small businesses than the lack of Government subsidies might suggest.

Today, the absence of such a sector is a conspicuous feature of Bahrain's economy. This contributes to a curious insularity which attends much of the industrial diversification to date. Filling the gap between the service sector and heavy industry would be a major step towards a fuller integration of the future economy.

In this latter process, however, the attitudes of the labour force will be crucial—and less receptive, perhaps, to the Government planning which is making the construction era such an impressive achievement.

BASIC STATISTICS	
Area	670 sq km
Population: latest census shows population has increased by two-thirds in the past 10 years, from 216,078 to 353,357.	
Percentage of foreigners has risen from 18 per cent (1971) to 32.4 per cent today.	
Currency	the dinar;
U.S.$1=	BD 0.377
£1=	BD 0.782
Inflation, 1980	8 per cent
Foreign exchange reserves, March 1981	$1.19bn
Trade	
Exports	BD 349.5m ($2.489bn), 1979
	BD 1.38bn ($3.67bn), 1980
Imports	BD 945.3m ($2.478bn), 1979
Exports to UK 1980	£25.1m
Imports from UK, 1980	£115.6m
Petroleum exports	BD 772.5m, 1979
	BD 1.20bn, 1980
Crude petrol imports	BD 476m, 1979
	BD 756m, 1980
Oil production	around 50,000 barrels a day

Joint ventures

CONTINUED FROM PREVIOUS PAGE

only real threat posed by the juxtaposition on the island of a Shia moslem, majority population—perhaps 55 per cent—and a Sunni-dominated establishment.

Bahrain has lived for a long time with the latent—and occasionally violent — political antagonism between the Shia and Sunni sects of Islam. And despite some moments of acute tension since the Shia revolution in Iran, it is fair to say *that the major upheavals* witnessed in earlier decades, notably in Nasser's heyday, today appear quite remote.

Occasional unrest seems inevitable. "Bahrain is like a sensitive fiddle," said one minister "Any vibration in the Gulf can produce some strange noises." But Ayatollah Khomeini's impact has been remarkably slight. A brief romantic appeal prompted little Shia activity of any real consequence.

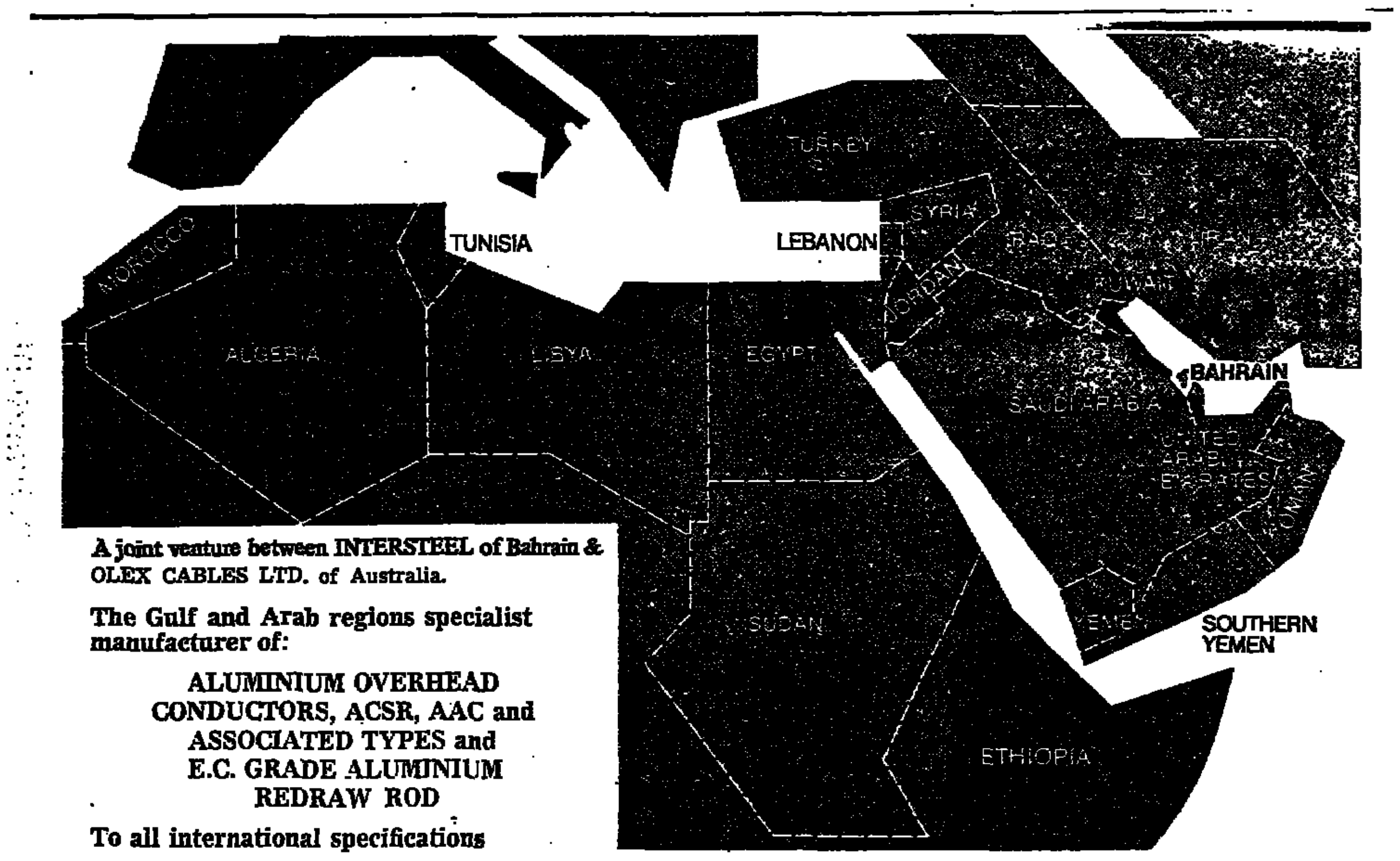
This does partly reflect a *highly effective police force* which seems to combine a sound judgment on what steps are needed and when, with a short, sharp variety of the law in taking them. (One way trips to the Iranian coast have been arranged for an undisclosed number of Bahrainis since the revolution.)

However, the half-hearted response to Khomeini is also attributable to a fine appreciation of the calamity which has befallen Iran. Bahrain's Shia *moslems have too much to lose.* Even the poorest Shia areas of the island now bristle with television aerials and air-conditioners. The Shia along with everyone else, are demonstrably busy pursuing all the *familiar material inducements* of Western consumerism.

This in itself points, though, to other problems which may yet grow more acute. Some Government officials worry privately that beyond a certain level of comfort, Bahrain's own indigenous workforce may see little point in the disciplines required by the industrial society being built for them.

The new industrial society's distortion of traditional social patterns will dictate, too, a need for more leisure activities. These will surely have to offer ordinary Bahrainis a deeper satisfaction than is evident, for example, among the spectators today at Bahrain's new racecourse, fine as it is with its fresh green turf and red carpeted owners' enclosure.

Television is assuming an important responsibility. But, at present, it relies heavily upon cheap American programmes and its influence is discerned by some in Bahrain's petty crime figures, which have risen dramatically in the last couple of years. As the Government station proudly prepares to extend its broadcasting hours, it is hard not to reflect that there are some modern blessings which the ancient city state was *blessed to be without.*



Period of radical changes

OIL AND GAS

DUNCAN CAMPBELL-SMITH

MR. YOUSSEF SHIRAWI, Minister of Planning and Industry and a member of Bahrain's new Supreme Petroleum Council, refers to the island's oil field as "an old man who's taken a lot of beating." After almost 50 years of production, about 47,000 barrels a day are coaxed and cajoled to the surface with some of the most sophisticated recovery techniques used anywhere in the world.

It would be unfair to make quite the same observation of the oil inudustry itself. It has hardly taken a beating. Nevertheless, its ownership and organisation have had to endure radical and sometimes tensely negotiated changes in recent years. Securing the daily co-operation and mutual trust of all parties to the industry, in the face of these changes, has required over the last 12 months some subtle recovery techniques of another kind.

The changes since the late '70s have been aimed at not just a transfer of ownership—though this had itself become a political imperative by 1979—but rather a real sharing of operational responsibilities in keeping with the Bahrainisation of all the other sectors of the domestic economy. To avoid any dislocation of the industry or any diminution of the goodwill which has generally characterised its past development, two "techniques" in particular have been used to good effect.

Responsibilities

First, nominal shifts of responsibility have been happily combined with more gradual and informal arrangements providing time for a necessary exchange of technical expertise. Second, the Government decided during 1980 to split the executive functions of the emerging nationalised industry among a number of different *companies*.

"This should encourage a faster growth of our management skills," says Mr. Shirawi. But he also admits that it has allowed the control of overall policy to rest with the Supreme Council where—in the face of a complex modern industry with an aggregate annual turnover approaching $6bn—the near-term limitations of nationalisation are well appreciated and pragmatism is the guiding principle. The Council (formed last September) contains eight Government ministers and sits under the chairmanship of the Prime Minister.

To date, anyway, these techniques appear to have worked well. Bahrain's industry has emerged from a difficult phase with what one senior executive in the Gulf has described as the happiest relationship between government and Western oil interests to be *found anywhere in the region.*

This should ensure the continuing participation—which is still technically vital—of Caltex Petroleum. A joint endeavour of Chevron and Texaco, Caltex through the 1930s built up in Bahrain the very first of the Gulf oil industries. (The company slogan in those early days: *Pearls, Progress and Prosperity*).

Caltex originally owned the *whole industry, that is both the* oil field assets and the Sitra refinery plant (built in 1937), through its subsidiary company, Bapco Ltd. Steadily climbing royalties and then actual equity concessions gradually transferred ownership of the oil field to the Government, a process which was completed in December 1979.

Ownership of the refinery was the next issue. But the Government last summer accepted the principle of leaving Bapco Ltd. with a 40 per cent stake in the plant—just enough, as the Government surely calculated, to deter Bapco's parent organisation from wanting to pull out altogether.

Under a final agreement, which was only signed on May 4 this year, it owns 40 per cent of a new company—confusingly called Bapco B.S.C.—which has now emerged with its own legal *status finally settled, and has* taken ownership of the refinery with effect from last July 1.

Probably the Government's 60 per cent equity share is to be held by the Ministry of Finance, though this has not yet been made clear. Bapco B.S.C. is chaired by the Minister of Planning and Industry and has a board of ten directors, six from the Government and four from Caltex.

Caltex will be compensated for its lost equity, it will have the inducement of future refining profits—and it will have avoided the potential embarrassment of upsetting the Saudis by leaving Bahrain in the lurch. *(Both Chevron and Texaco are* members of Aramco.)

As a part of this deal, Caltex will continue to provide the Bahrainis with operational expertise where they require it. This certainly means enabling Bapco BSC to run a highly versatile but now ageing refinery. It also places the international marketing apparatus of Caltex's parents at the disposal of Bahrain to help it market any part of the Government's 60 per cent share of the refinery's total output.

Thirdly, it means indispensable assistance from Caltex petroleum experts—most of them, in fact, from Chevron—in the maintenance of the on-shore oil field and the new, critically important Khuff gas field.

Banoco engineers drilling for natural gas

Glyn Genin

NATURAL GAS PRODUCTION

In m cu ft

Period	Total	Khuff Field	Other fields
1976	107,464	87,102	20,362
1977	121,228	102,298	18,930
1978	131,152	124,496	6,656
1979	142,147	139,296	2,851
1980	123,422	120,794	2,628

Source: Government statistics.

When the oil and gas assets were nationalised in 1979, it was indicated that the Bahrain National Oil Company (Banoco) would have formal responsibility for, among other things, all on-shore production. As intended, it has assumed effective responsibility only gradually and as its management resources have grown under the energetic chairmanship of Mr. Hassan Fakhro.

Banoco has relied heavily on a few hundred employees of the old Bapco Ltd. company. Their contracts are due to expire in December. New recruits—many of them simply transferring directly from Bapco—should boost the staff to over 500 this year, 60 per cent of them Bahrainis. The company has a high morale and an ambitious training programme with 50 employees currently studying abroad for technical degrees.

Banoco has two additional roles. First, it takes 3 per cent of the refinery's output and markets it locally within Bahrain. It has handled the physical delivery of this product since last November. Second, it will control the offshore exploration—and, it is earnestly hoped, production—activities which have just begun with the *launching of a 12-month* $6m seismic exploration programme contracted to Western Geophysical of Houston.

The company's own experts rate the chances better than 50/50 for an offshore strike which (in the new era of oil prices) will be commercial. The company will look for operational assistance next year.

It is understood that Chevron no longer wishes to be considered for this contract — indeed its highly prized staff have yet to sign firm contracts with Banoco onshore — and finding another partner will be a major task for the Bahraini company in 1982.

In line with the diversification policy of the Supreme Council, Banoco's role extends no furher. Different ideas were held when the company was set up in 1975. The Government's reappraisal was heralded in April, 1980, when the management of Bahrain's stake in an international petrochemicals joint venture was assigned not to Banoco, but to a new company, Gulf Petrochemicals Industries Corporation, under the chairmanship of Mr. Tewfiq Al Moayyed. The reappraisal was finally confirmed this March by a change in Banoco's corporate charter.

One result is that Banoco will be selling its retrieved oil and gas assets to separate Bahraini companies where formerly the old Bapco Ltd. knew of no such divisions of authority.

Tailgas

The gas assets consist of "tailgas" associated with crude oil production — a new gas gathering system came into operation last year — and the higher quality output of the deep Khuff gas field. Both are sold to Banagas, which is 75 per cent owned by Banoco and is also chaired by Mr. Hassan Fakhro.

Banagas feeds most of the tailgas into the domestic distribution system which is to be an increasingly important resource for local industry. (Already ALBA receives 85 per cent of its energy needs from this source.) But some of the tailgas is liquefied and sold to Caltex: the first shipment was made in March, 1980.

The volume of natural gas production from the Khuff field varies between 250m cubic feet per day in the winter to 450m cubic meet in the summer. It is at present distributed to Bapco B.S.C. (which takes 85m cubic feet per day, all the year round), Balexco and the power stations (whose consumption explains the seasonal variations).

The future exploitation of the Khuff field — with reserves estimated at 9,000bn cubic feet — is of enormous importance for Bahrain's development. There are those who would like to see an LNG plant built and a major export industry developed in the next few years. Others — and they include Mr. Shirawi — would prefer to see such a potentially valuable asset husbanded more jealously to contribute more to Bahrain's *long term future.*

The gas reserves have an estimated life for 60 years, while the present crude oil rate of production is declining by 5 per cent each year.

Contribution

Banoco's crude oil is sold to the State. The Supreme Council oversees this and the additional purchase of 100,000 barrels a day from Saudi Arabia's Petromin. This provides in toto for the state's 60 per cent contribution to the refinery's intake. Caltex provides the remaining 40 per cent, importing it from Aramco. The refinery's normal capacity is 255,000 b/d.

The treatment is rather less straightforward of the refinery's output, which was last year exported to more than 30 countries and can include up to 75 different products. Caltex handles its own share, but in addition it agreed last summer to market the Government's share as well. This has left Caltex accountants in New York and the old Bapco offices in Bahrain with a sizeable *task, dividing the* end-profits on the appropriate pro rata basis.

The Government has undertaken, however, to assume its own marketing over time and a schedule has been agreed upon for the transition.

The Kuwait petroleum authorities have strongly encouraged the Bahrain Supreme Council to develop its own marketing capacity as quickly as possible. In the past two months, a Petroleum Marketing Unit has been set up, with a number of ex-Bapco employees reporting directly to Mr. Shirawi. It is now recruiting more staff and is receiving training facilities and marketing intelligence from the Kuwaitis.

Indeed, Kuwait has played an even more direct role. Last October, the Bahrain Government decided that it would like to handle some part of its 60 per cent share of refined output itself, rather than pass the whole amount to Caltex. It was able to do this by relying instead on the Kuwaitis' marketing services.

The refinery's loading and shipping arrangements were made more complicated—some quality changes were required to the Bahrain product—but the adjustment was smoothly made and in December, when output was raised to 292,000 b/d, the Kuwaitis marketed 45,000 b/d on Bahrain's behalf. They have indicated their readiness to expand their role as Bahrain requires.

Kuwait will also be joining Saudi Arabia as an investor in the fuel conversion plant which Bahrain is planning to build, perhaps to start converting black oil fuels—where a major world surplus threatens—into *light and medium distillates* as early as 1985. Here again, a new company will be formed with new staff and independent management.

This proliferation of companies — and Government departments—within Bahrain's oil and gas industry obviously risks leading to counter-productive rivalries in the future.

However, the diversification of executive functions may be creating, as intended, exactly the time and space required for a healthy policy making and co-ordinating central body to establish itself. The recent progress of the Supreme Council does suggest that this is to be the real theme of the coming months.

New wave of development planned

INDUSTRY

MARY FRINGS

TWO HUGE new tracts of land are being added this year to Bahrain's already extended coastline.

Arab Iron and Steel Company (AISCO) has commissioned the dredging and pumping ashore of nearly 7m cubic metres of off-shore mud, at a cost of $15m, to create the site for its iron pelletising plant. Including access roads, the area reclaimed from the sea will total 1.2m sq metres—more than twice the size of the neighbouring Arab Shipbuilding and Repair Yard (ASRY) facilities, which in the mid-seventies put all existing maps of Bahrain out of date.

Further down the east coast, near Bapco's loading jetty, work starts next month on filling another 600,000 sq metres for Gulf Petrochemical Industries Company (GPIC).

A third major project in the new wave of industrial development, an aluminium rolling mill, will be built on land reclaimed from the sea in 1979, at North Sitra.

Bahrain's problem in being so small an island may not be insuperable. But what could become a very serious problem indeed is the time-scale of this sudden surge of growth, coinciding as it does with the construction phase of the Saudi-Bahrain causeway. The pelletising plant, the petrochemicals complex and the rolling mill are all scheduled to go into production in 1983-84, though plans for the rolling mill are less advanced with a decision still to be made on the technology.

It has been suggested that inflationary effects on the economy, and bottlenecks in the supply of labour and materials, could be minimised by slowing down one project or the other. This might be a simpler matter if the Government of Bahrain had a controlling interest.

But in the petrochemicals project, Bahrain is an equal partner with Kuwait and Saudi Arabia. In AISCO the only Bahrain Government interest is the $3m worth of shares held by the General Organisation for Social Insurance, out of a total issued capital of $130m.

Negotiations on an inevitably costly slowdown would have to be conducted with a board which counts only one Bahraini member, with five from Kuwait, one from Iraq, and one from the Jordan-based Arab Mining Company.

In the Gulf Aluminium Rolling Mill Company (GARMCO), Bahrain will be host to a six or *possibly seven-member* partnership, which will be regarded as a test case for the so far fragile concept of Gulf-wide industrial co-operation.

Undeniably the country is better equipped to cope with the physical problems than it was in the short-lived construction boom of the mid-70s. Modern port facilities and a well-organised container terminal now facilitate the smooth flow of goods; a ring-road system carries traffic around the main population centres on fast six-lane highways; power generation even at the summer peak has caught up with demand, and there is no longer *a waiting list for a telephone* line.

New projects

A drain on the skilled local manpower expensively trained by established industries is almost inevitable once the new projects reach the operational stage, but this will be kept within bounds by the very fact that each company keeps a close eye on competitors' wage scales. Moreover, the new plants are capital, rather than labour-intensive: GPIC expects to employ only 350 people, compared with 2,000 at Alba and twice that number at Bapco. Many more people will be only temporarily employed in construction.

Gulf Petrochemical Industries Company last September awarded the consultancy contract for its $350m methanol and ammonia complex to King Wilkinson.

Process technology will be supplied by Uhde of West Germany, but the methanol process is sub-licensed from ICI. In April this year, the *dredging* and site reclamation contract went to Van Oord of the Netherlands.

Tenders for engineering design and procurement services at GPIC are being invited on a lump sum basis, but all materials and equipment purchased by the contractor will be reimbursable, up to a guaranteed maximum cost. The turnkey construction and commissioning contract, which gives GPIC the right to approve the selection of sub-contractors, is also expected to be awarded on a lump-sum bid.

The bulk of GPIC's production of 700,000 tpy will be marketed outside the region. Saudi experts believe that *developing countries in Asia* and Africa, many receiving large Arab investments and aid programmes, will be as important in the long term as traditional markets in America, Europe and Japan.

The siting of AISCO's $300m pelletising plant in Bahrain, which has no direct reduction steel plant to use its product, is explained by the ready availability of the required 26m cu ft a day of gas, and the island's central position between the major consumers in the area.

Although its feasibility study predicted regional steel production of up to 6m tonnes a year in 10 years' time, including demand of 10m tonnes of pellets, AISCO will be looking beyond the Gulf to absorb its annual production of 4m tonnes of iron pellets, at least until 1985. It makes good economic sense to provide two-way traffic for bulk carriers bringing in ore; so discussions with potential ore suppliers in Australia, India, Brazil, Peru and Sweden have been held with an eye to possible return loads.

Current regional demand for aluminium sheet and other rolled products is put at 20,000-25,000 tonnes, excluding Iraq which has its own 15,000 tpy rolling mill. There is hope that the local market will build up, especially in Saudi Arabia, by the time GARMCO goes on stream in 1984 and reaches full production of 40,000 tpy three years later.

The principle of avoiding wasteful duplication of industrial projects is subscribed to all round the Gulf—but not always observed in practice. A powerful merchant group in another state could probably still launch another rolling mill and hope to obtain government backing for a tariff barrier against competing imports from GARMCO.

But given a competent management and an efficient *marketing organisation*, multi-government ownership is not in itself the hazard that some critics of the GARMCO project have suggested. Evidence of this is the increasing success of ASRY which also has seven national shareholders.

ASRY's results for the first quarter of this year have been encouraging enough for a cautious official forecast of "break-even point soon"—although feasibility studies did not envisage a profit before 1984. Over the past two years, the subsidy provided by ASRY's shareholders has been reduced by 45 per cent.

The dry dock occupancy rafe was 95 per cent in January, 92.8 per cent in February and 93 per cent in March, when the dock was fully booked until mid-June. ASRY's progress has contrasted strikingly with the failure to commence operations at the dry dock in Dubai, inaugurated by the Queen in February, 1979. Recent moves have been made to transfer the responsibility for the Dubai facilities to OAPEC and it is believed an ASRY management contract is one of the options presently under consideration by OAPEC.

In the aluminium industry, the immediate outlook is clouded by world recession. Producers are not expecting any improvement before next year — and are alarmed that the more pessimistic analysts are writing off 1982 as well.

Expansion

Nevertheless, the expansion plans have gone ahead. Aluminium Bahrain (ALBA) marked 10 years of continuous production at the smelter with the start-up of the first of two new potrooms, which will boost production by 45,000 tonnes to 170,000 tpy. Commissioning of the 76 pots will be completed by the end of this month, and the second potroom will be brought on stream in mid-September.

ALBA general manager, Mr Gudvin Tofte, puts metal production for 1981 at 143,000 tonnes, 5,000 tonnes more than was originally forecast. The fact that by the end of May some 40,000 tons of metal was stockpiled is not his problem, since ALBA is purely a conversion company to provide metal to the shareholders at minimum cost.

The minority shareholders, Kaiser Aluminium Bahrain (17 *per cent) and Breton Investments* (5.1 per cent) export their share of production in the form of standard ingots, or put hot metal through the aluminium powder plant, Bahrain Atomiser International, in which Breton has an interest through Eckhardt Werke of West Germany. The remaining metal is handled by Bahrain Aluminium (BALCO) on behalf of the Bahrain and Saudi Governments, who are entitled to 57.9 per cent and 20 per cent respectively.

The two Governments have won the agreement of their western partners for the expenditure of $4m on increasing billet casting capacity from *30,000 to 60,000 tpy. Orders will* be placed for the equipment in July, and installation will take 18 months. Both Saudi Arabia and Bahrain have extrusion plants, and billet also commands a higher price in the world market.

Despite the current poor price levels, compared with the *beginning of 1980, Mr Tofte says* production costs are still lower. But apart from maintaining supplies on long-term contract to regional consumers, BALCO is repeating the policy which paid off *handsomely* over the previous two years, of sitting on its stocks until the price is more than marginally attractive.

The aluminium extrusion company, BALEXCO, wholly owned by the Bahrain Government, has completed the installation of additional anodising facilities to increase total capacity by one-third. But the orders are not yet coming in to utilise it. In the face of competition from suppliers outside the region, whose traditional markets are slack, BALEXCO is doing well to maintain its throughput at last year's level of 3,600 tpy and to continue showing a profit.

The 20 per cent tariff barrier imposed by Saudi Arabia is confidently said to be "on its way out" after 2½ years.

MIDAL Cables, a private-sector joint venture between Olex Cables of Australia and Intersteel in Bahrain, is also having to struggle to hold its market share against interlopers from the U.S. and Europe. MIDAL manager, Mr Stuart Mansfield, is one of those who advocate regional protectionism. "It makes no sense," he says, "if local industries fail *because of low prices coming* in from outside."

Main contractor finally selected

THE CAUSEWAY

KATHY EVANS

IT EMERGED last week that a main contractor has finally been selected to design and build a causeway from Bahrain to the mainland of Saudi Arabia.

A conclusion thus seemed imminent to years of anxious negotiation and deliberation — but even at this climatic moment, and entirely in keeping with the conduct of the whole affair, there was no official word from Saudi Arabia to confirm the first reliable reports of the long-awaited decision.

The Bahrain-Saudi causeway is the most emotive contract the Gulf has ever experienced. About 150 companies have had their international reputations, their Middle East experience and their patience sorely tried over the three years since they were first prequalified. During that time, several have been asked to leave the bidding list, while others have voluntarily fallen by the wayside because the price of going on was too high.

It was in the early seventies that the late King Feisal of Saudi Arabia promised that it would be built. Shortly after, the Saudi Government promised to give the project "its special and immediate attention." But since then, the causeway has come to look on many occasions like the Gulf's own version of the Channel Tunnel — attractive in principle but always somehow best delayed.

At last the plunge does seem to have been taken and a consortium led by Ballast Nedam of the Netherlands appeared last week to be preparing for a final settlement of the contract. The causeway now looks set to provide a powerful boost to the island's economy.

On the Bahraini side, some *60 kms of access road will* eventually have to be built whatever the order of building, and a labour camp for up to 5,000 workers will have to be constructed. The access roads, like the border posts on Umm Nasan island, are outside the main contract.

The earliest plans for the land link between Bahrain and Saudi Arabia envisaged causeways jutting out from each shore linked by ferry, as a preliminary to a bridge. The price tag on that was unofficially estimated at $80m — today's designs could be 10 times that.

Before construction methods could be decided on, the routing and design of the link had to be worked out, and the consultants' job was to undertake a study to ascertain which form of link would provide the minimum disturbance to marine life and local tidal currents. Foundation Engineering, a subsidiary of the Richard Costain group, was commissioned by the consultants to study two possible routes — but it was not until 1976 that a basic bridge design running from a point 6 km south of Al Khobar in Saudi Arabia to a point 1 km north of Jasra on the Bahraini coast was decided upon.

The total length of the causeway is to be 25 km, consisting of about 10 km of embankments where the water is less than six metres deep and 12 km of bridges over the stretches of deeper water. There will be five bridges and three navigational openings and 3 km of ring roads at the border posts on Umm Nasan island. Designed to cater for traffic up to the year 2000, the causeway will be capable of handling more than 29,000 cars *and trucks daily.*

The project rapidly became the most prestigous in the Gulf as the quantities of materials needed to build the causeway whetted the appetites of suppliers and contractors around the world. Adnan Khashoggi, together with British Steel, Redpath Dorman Long and others attempted to pre-empt the bidding on the contract by offering to do the *whole job for $1bn*—a move which did not go down well with the Saudis.

The long prequalification process began and it was not until December 1978 that the conditions were finally ratified by the Saudi Government. Contractors were given until March 1979 to complete and return the documents. A total of 213 companies from 26 countries did just that.

The task of sorting out the eligible companies eventually became so complicated that outside help was sought. A team of American university professors was brought in as well as the technical department of the *World Bank.* A joint committee was formed consisting of representatives of the two governments, the consultants, Saudi Danish Consultants, and nine experts from the World Bank. On the Saudi side were Mr. Saleh Ummair, Deputy Finance Minister with Sheikh Mohammed Aba Al-Khail, the Finance Minister, as its chief. On the Bahraini side Mr. Yousuf Shirawi, the Minister of Planning and Industry.

The formation of the committee came at a time when Saudi Arabia had complained of padding of bids and over-sized commissions being paid by international contractors working in the country. This contract, it was made clear, was going to be different.

The joint technical committee met eventually in July 1979 in Washington to assess the prequalification bids, and after two weeks of deliberation emerged with the names of 18 consortia names. The rest had been eliminated on financial, *technical or all round ability* grounds. Previous experience in the Arab world and particularly Saudi Arabia was also taken into account.

Contractors remaining on the qualified list confidently expected tender documents to be circulated shortly after, but Saudi Danish Consultants delayed their issue to allow contractors with experience only of reinforced concrete to enter the list. Previously only contractors with bridge work experience in both steel and reinforced concrete had been considered.

This was a major policy change. Saudi Danish is still believed to favour a steel design, but on the Bahrain side of the joint technical committee, there was a change of heart. Bahrain has had some bad experiences with concrete structures in a number of housing and hotel projects due to the erosion caused by salts in the sands used during construction. But since the early boom days, a lot has been learnt by contractors about building techniques in the Middle East. Bahrain began to sway to the reinforced concrete designs, pointing out that it would be cheaper, just as safe and would require less maintenance than any steel construction.

The net result was that the prequalified list grew to 22, some submitting as many as four bids conforming to the consultants' designs or preferring an alternative set of designs. The cost of bidding soared, and for many became too great.

Excluding the bid bond—which amounted to 2 per cent of the value of the work and could range upwards from $5m—the cost of preparing a bid was now going over the $1m mark.

Five companies dropped out. Among them were the British bidders which included a line up of John Howard, Sir Robert McAlpine with Hitachi of Japan and Bristol Steel of the U.S. Taylor Woodrow, Richard Costain and Redpath Dorman *Long also fell* by the wayside, as did the Balfour Beatty group.

British officials in Bahrain, explaining why only one UK company remained on the final bidding list, pointed out that at this time many were preoccupied with work in the lower Gulf. Costain and Taylor Woodrow were doing well in Dubai, *for example. Few British con-*

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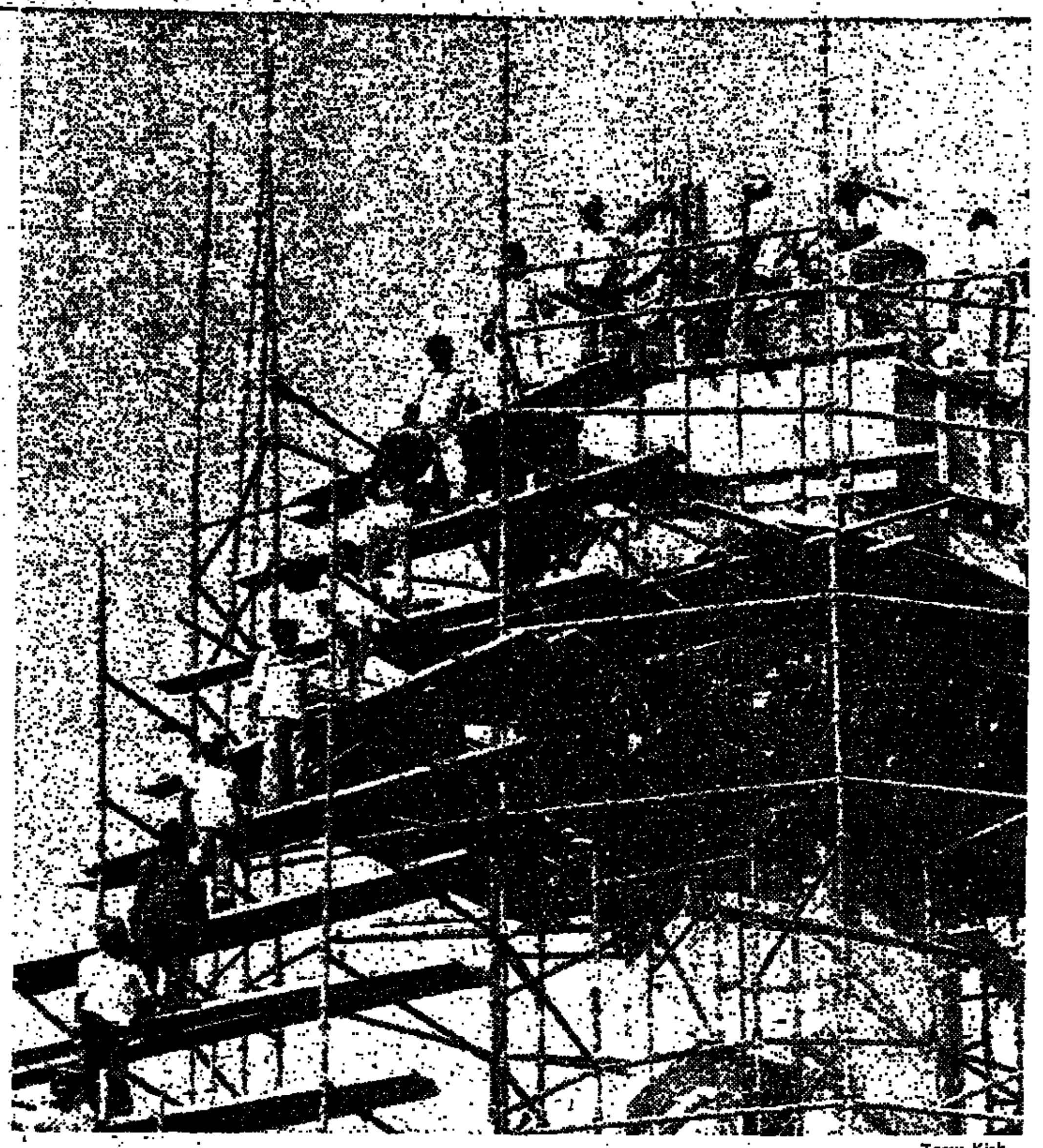
Strong moves to develop Bahraini workforce

MANPOWER

MARY FRINGS



A chain of workers lifting bowls of cement to the top of a minaret during the construction of the Al Adliyah Mosque

Terry Kirk

SPOILT YOUNG people, who turn down jobs that look too much like hard work, receive very little sympathy from Bahrain's pragmatic new Minister of Labour, Sheikh Khalifa S. M. Al Khalifa.

He has made it clear that if Bahrainisation is to be more than a political slogan, it requires not only an investment in training from both Government and employers, but a real commitment from Bahrainis at every level of employment, who aspire to more responsible jobs and higher incomes.

Government sinecures are being phased out, although not fast enough in the view of some manpower planners. The Government remains the biggest employer, with some 20,000 on the pay-roll, and although salaries are generally lower than in the private sector, a six-hour day allows time to attend to a family business in the afternoon.

The 80 commercial and offshore banks offer the most sought-after jobs, but only to those with a good command of English.

If unemployment is not to become a serious problem in the future—and the population is projected to double in 20 years—an increasingly large percentage of Bahrainis will have to be absorbed by industrial and service companies.

Current planning is based on a 1979 survey of private sector establishments, which came up with a figure of 69,000 employees in those companies which returned questionnaires, plus an estimated 11,000 to 12,000 for the "no-shows."

Agricultural workers, fishermen, independent traders, taxi drivers and domestic servants were not covered by the survey.

A breakdown of the 69,000 documented workers showed that only 19,000—some 27 per cent—were Bahrainis. Of these, 31 per cent were illiterate.

The female employment rate was only 7.6 per cent, but in the Government sector, more than half of all workers in some ministries are women, and not many of the 1,800 girls taking secondary school leaving examinations this summer will be prepared to stay at home.

Unemployment is a hot political issue, given the large number of foreigners holding jobs, but the objective of the manpower planners is less to see the last of the expatriates, as an end in itself, than to make the best use of local resources.

The Minister puts the number of Bahrainis currently out of work at no more than 300: he refuses to count those who turn down several jobs as genuinely unemployed, and insists that jobs are available for all those who are prepared to accept what the market offers.

It does not, in fact, offer many opportunities for the graduates in literature, history and philosophy who return each year—with still only limited English—from Arab universities, where they study at their own expense. Neither the Government nor industry sponsors students on arts courses.

Equally unfitted for a job in commerce or industry are the school-leavers with an arts or general science background, who failed to qualify for further education or to win a place on a company training scheme. Vocational courses have not been highly regarded and until now have attracted only a small minority of students.

This year, however, a media information campaign seems to have encouraged a change of attitude, and some 2,500 boys and girls in their final intermediate year have said they want to move on to secondary commercial and technical schools, outnumbering the 1,700 who opted for general education.

The increased numbers will be accommodated by running two shifts at the three existing technical schools, while a fourth, for 1,200 boys, is being built in Manama by the Kuwaiti Government at a cost of BD 10m—more than a third of the Bahrain Education Ministry's annual budget. Extra commercial classrooms are being added to general secondary schools, and a new commercial school for 600 to 700 girls is due to open at the end of the year.

This change in emphasis will take time to show results, and vocational training schemes in welding, carpentry and other craft and mechanical skills, set up by the Ministry of Labour with the help of ILO advisers, have done little more than scratch the surface.

The most solid progress in developing Bahraini manpower has been achived by long-term company training programmes, in which Bapco was the pioneer.

The rapid pace of industrial development at present means there is a transfer of skills to any new project. But apart from the construction phase, which will invariably require a short-term contract workforce, the eventual Bahrainisation of all local industries is not an unrealistic goal.

What may cause problems is the slowing down of promotion prospects for able Bahrainis, once the key positions have been taken over, often by men in their early 30s. The present small-scale brain drain to other Gulf states may then be intensified.

In Bapco, Bahrainis make up 80 per cent of the 4,500-strong workforce and hold 31 per cent of management and senior supervisory positions, while dozens who joined as Bapco apprentices at the age of 13 and 14 now hold senior posts elsewhere in banking, commerce, government and other industrial companies.

It is remarkable, though, that 1,500 Bapco employees have more than 25 years service).

In Alba, 10 years after start-up, three-quarters of the 2,000 employees are Bahrainis, and they hold a similar proportion of supervisory positions at all levels. The Asry shipyard, not yet four years old, plans to employ Arab workers in 94 per cent of jobs by 1987, and was ahead of schedule in 1980 with 58 per cent.

Training at Gulf Air, Banoco and Banagas is also paying dividends, while the petrochemicals company has started operational training even before the start of construction.

However, other major employers — not only foreign companies but local merchants and contractors — have found it easier and more profitable to rely on cheap and available Asian labour, with a few European and American managers. When persuasion has failed, the Government last year imposed a training levy equal to 2 per cent of the Bahraini payroll and 4 per cent of the wages of expatriate workers, on those firms who were unable or unwilling to train local manpower.

The Ministry has studied the needs of the 30 or so levy-paying companies, is advising them on in-house training, providing instructors, and running its own management and supervisory courses for their benefit — not always with the hoped-for response. Empty places on these courses have been filled by Government nominees.

A separate scheme follows a study of "critical positions" for economic development, where a large number of expatriates are employed. The Government has pledged BD 500,000 a year over the next 10 years, to create training opportunities for 1,000 Bahrainis a year in data processing, accounts, business administration, clerical and production supervision and engineering technology.

Courses in this "10,000 jobs" scheme are part-time, and employers are asked to release trainees for one day a week, while the trainee must give up two evenings. Some 500 applicants were accepted on the initial intake this year, but many more did not meet the required standard.

Legislation

A great deal of recent labour legislation governs working conditions in Bahrain and a national minimum wage is under consideration. Statistics suggest this should be around the BD 90 level: 49 per cent of contract workers, but fewer than 4 per cent of Bahrainis, are currently earning less.

There has also been a gradual move, over the last three or four years, towards some form of labour representation, and the principle of trade unions, if not the actual wording, is enshrined in the 1976 Labour law. Strikes are illegal, but arbitration is provided for. Joint consultative committees were set up in a number of big companies, with official encouragement.

In April, the process was taken a step further, with an amendment to the Labour Law which now obliges major employers to set up such committees, which will operate with the full protection of the law. Further, members of the joint committees may elect a workers' council, known as the General Labour Committee, as a legal entity speaking to Government and international bodies on behalf of Bahraini labour.

The Labour Minister says the new Workers' committee will be stronger than the professional societies, which already provide a forum for bankers, engineers, doctors and lawyers. But it cannot reinforce its arguments with the power to strike, nor, in the Minister's words, can it "indulge in politics."

It will be interesting to see how the concept develops in practice, and whether the workers' committee will avoid the mistake of the now defunct National Assembly in inviting a confrontation instead of negotiating a compromise.

Bahrain's new Minister of Labour, Sheikh Khalifa S. M. Al Khalifa

Causeway contract

CONTINUED FROM PREVIOUS PAGE

[tr]actors had substantial [e]xperience in the Saudi market, [w]hile the exceptions were [a]lready heavily engaged on [w]ork in the country.

"Saudi Arabia was regarded [a]t the time as a risky market. [T]he causeway was costing too [m]uch to bid for, and besides a [l]ot of money was being made [e]lsewhere," said one official. "The Kingdom wasn't that [m]uch of a British scene."

Another victim at this stage was Hyundai, the South Korean building giant which had been so singularly successful in other Saudi and Bahrain projects. However by this time, South Korean contractors were reaping the rewards of their procurement policies which virtually excluded any purchase of supplies from the local markets. Resentment amongst local merchants, coupled with suspicion about the military nature of its workforce, had been increasing for some years. It was brought to a head when the firm was accused of unethical practices in securing contracts.

Another consortia containing the South Korean firm, Daelim Industries in conjunction with Japan's IHI and the Royal Netherlands Harbourworks was also dropped, but later readmitted to the bidding list.

Thus the final list emerged with 16 consortia groups consisting of international companies from 17 countries. Many had never worked together before.

Their names read like a Who's Who of the construction world—but when the bids were finally handed over, they varied bewilderingly from \$464m to three times that amount.

Of the steel bids, Hochtief of West Germany came out the cheapest with \$707m on a conforming offer, and \$678m on an alternative offer. On the concrete side, Ballast Nedam in a line-up with Mitsubishi and the Bandar Group for Trade and Projects of Saudi Arabia produced bids of \$559m on designs conforming to all specifications and the lowest of all bids, \$464m for an alternative design.

Sorting out the different designs and bids was again a complicated task and in January six short-listed bidders were called to meetings in Paris. This produced in mid-May a short-list of four: Hochtief of West Germany with a steel offer, the Ballast Nedam group, Spie Batignolles of France and a Bilfinger and Berger consortium containing both Saudi and Bahrain interests represented by the massive Bin Ladin group and the Al Zayani company respectively.

The apparent selection of the Dutch-led consortium of Ballast Nedam last week left many questions still unanswered. It was not clear whether a bid had been accepted for a steel or concrete design, nor was there any indication of what cost specifications are likely to emerge at the end of the day. The original tender conditions allow for changes in the contract price for materials and consumables, but no adjustments for labour, transport or other costs. The bids were originally opened nearly a year ago, and prices were calculated before that.

The fierce competion that this contract has generated over the years has brought prices down by 25 per cent say contractors, and the winning consortium may face a difficult task protecting a reasonable profit margin throughout the four and a half years of the construction period.

BAHRAIN VI

Bahrain has now emerged as the major banking and financial centre of the Gulf. Here, and on the facing page, Financial Times writers examine some of the changing aspects of this role.

Fast-growing centre for international finance

OFFSHORE BANKING UNITS

DUNCAN CAMPBELL-SMITH

JAPANESE COCKTAIL parties looked like becoming a regular weekly event for Bahrain's offshore bankers earlier this year. One by one, the newly arrived representative offices of 10 Tokyo city banks presented themselves to the community. They have yet to seek the higher status of a full Off-Shore Banking Unit (OBU), but for many it is a likely transition—with every prospect of further catering requirements.

The new arrivals have joined two other Japanese representative offices which opened late in 1979 and Bank of Tokyo, the flagship of the group which first appeared in 1977 and started OBU operations in January, 1980. Two Japanese security brokers also have Bahrain offices.

Arguably, the Japanese invasion says rather more about the painstaking methods of the Tokyo financial establishment than about Bahrain itself.

According to Bank of Tokyo's manager, Mr. Masotoshi Watanabe, the move followed three years of deliberation by all the banks over whether or not to return one day to Beirut. When that city's situation was finally judged to be hopeless in mid-1980, the decision was taken to abandon the temporary offices opened elsewhere during the Lebanese civil war to relocate on a permanent basis in Bahrain.

Achievement

In acknowledging Bahrain's arrival as a vital centre of international finance, moreover, the Japanese were only affirming an achievement which has been evidenced by the progress of the OBU sector for some time. It was underlined by renewed growth in 1980.

With 58 reporting banks, the sector's assets grew 36 per cent to $37.5bn and aggregate net profits jumped to $191m from $100m in 1979 (and $129m in 1978). These impressive results do require some qualification. Total assets were obviously boosted by the addition over the year of seven new banks.

One of these was Arab Banking Corporation with assets of nearly $2bn. More significantly, the latter earned $45m last year *which does rather colour the aggregate profit picture.*

Nevertheless, the results confirmed the impression of many OBU managers that the sector in 1980 had earned about half as much again as in the previous year.

Many took full advantage of the sharp mid-year drop in interest rates to fund their dollar books and the net overall interest margin on average assets rose to 0.72 per cent in 1980 versus 0.52 per cent in 1979. Most of last summer's cheap interbank funds have now matured; but still the OBUs appear well satisfied with their progress so far this year.

They are still waiting, moreover, for the impact of the Japanese, who have moved very cautiously. In Mr. Watanabe's words, they are engaged in "making studies"—not usually a phrase to be taken lightly in his country's context.

Estimates of Japan's exports to the region exceed $10bn for 1981 with perhaps 40 per cent of the bills requiring settlement in yen. And the region contains some of the world's largest dealers for Japanese products whose trade financing arrangements could provide a natural business for Japanese OBUs.

Meanwhile, they are an important part of the foreign exchange and trade financing activities which comprise still the major sources of income for the sector as a whole. But there are horses for courses—and many different courses run through the OBU's natural marketplace.

For some banks, particularly the Americans, a reserve-free and tax-free status in Bahrain makes it an important booking and funding centre for loans in many parts of the world. Many of the OBUs concentrate exclusively on the Gulf region while others look to the Arab countries as a whole. A few, notably the new Arab banks like Gulf International Bank and Arab Banking Corporation (ABC), have a special legal status on the island, but effectively compete as OBUs with worldwide operations.

The one distinction so far of ABC is that it enjoys a huge capital base. Three-quarters of an authorised $1bn has been issued equally to the Kuwaiti Ministry of Finance, the Libyan Treasury Secretariat and the Abu Dhabi Investment Authority. But the bank's real task now is to assemble an executive staff capable of turning these resources into the basis of a fully acknowledged competitor in the top rank of the banking multinationals.

The Chief Executive, Mr. Abdullah Saudi, is confident that a strong start has been made — though not, he insists, by virtue of a ruthless poaching operation which is still the subject of some colourful rumours in the market.

"We are offering long-term financial security and the challenge of building a new bank," he says.

Part of that challenge—which is treated with respect by those who know Mr. Saudi — is that ABC can hope to use its own wealth to participate directly in the overseas investment of the region's surplus capital. A portion of the bank's own profits is to be used each year to help it attract venture capital from the oil States for joint equity investments.

Identification

Also embraced by the OBU sector at the other extreme are tiny branches, such as that of the Hong Kong-based Overseas Trust Bank (OTB). Its manager, Mr. James MacDonald, is a Scotsman who runs his bank with a dour regard for the pennies while the pounds, courtesy of a busy letters of credit department, evidently look after themselves very adequately. With only ten staff and expenses of $47,000 a month, it is a small operation — but like most successful OBUs, it has identified its own niche in the market and has avoided over-stretching its business.

The identification of that market with Saudi Arabia has undoubtedly intensified during 1980. This is partly attributable to the marked decline in business with the UAE and, more especially, Kuwait where the authorities have moved to curtail any off-shore interbank market in the Kuwaiti dinar. The Kuwaiti banks now have as little as KD 20m outstanding to the OBU sector, against KD130m 12 months ago.

By contrast, the Saudi authorities tacitly acknowledge the valuable contribution made to their economy by the size and liquidity of the Saudi riyal market in Bahrain, which stands at an estimated SR 6-8bn and comprises about 85 per cent of the riyals deposited outside the kingdom.

However, it is less this money market than the sheer volume of new business offered by the Saudi economy's growth which accounts for the increased involvement of the OBUs.

If it is also due in part to the past inadequacy of the domestic Saudi banking system, this is less likely to be so in the future as the impact of the new Saudi-ised banks is felt.

One consequence of the latter development is already apparent. More aggressive lending by the Saudi banks has taken better advantage than hitherto of their cheap deposit base—few Saudi bank deposits carry anything like a true market rate. The business of the OBUs, who must depend very largely on interbank riyals, is therefore shifting away from direct lending towards investment banking and trade financing services which do not require substantial funding.

This is not an unduly harsh restraint. Letters of guarantee are big business in Saudi Arabia. One contract might typically require a performance bond of 5 per cent, an advance payment guarantee of 20 per cent and a letter of credit facility of 15 per cent of its total value.

If associated working capital needs require cash advances of, say, 10 per cent then an OBU—or more usually a syndicate of OBUs—might look for commissions on a total facility worth half the value of the contract.

Figures produced by the Bahrain Monetary Agency (BMA) reflect this development in that they show relatively limited lending by the OBUs to non-banks. This item grew from $6.69bn to $8.49bn in the year to last December—it fell back to $8.26bn in the latest figures, for February—and contrasts with loans to banks of $26.8bn at year-end (and $20bn a year earlier).

Liabilities

Notable at the same time is the fact that of the $9.7bn increase in the OBUs' liabilities last year, $8.1bn came from the Arab countries—which growth might fairly be associated with a dramatic increase in the aggregate volume of the OBUs' contingency liabilities arising from letters of guarantee.

This is one area where changes in the Saudi banking system should not seriously affect the OBUs' market role. The Saudi Arabian Monetary Agency (SAMA) permits any authorised bank to issue guarantee letters for a single Saudi client to an aggregate value of not more than 20 per cent of the bank's capital and reserves.

The OBUs, allowed to consolidate the capital bases of their parents, are in most cases well-placed to compete with the Saudi-ised banks.

However, in other areas also, the prospect is still remote of the OBUs having to rely less upon the Saudi Arabian market. The environment will undoubtedly grow keener, but most will be happy to enjoy a slightly smaller share of a hugely expanding market.

Welcome change in the rules

'EXEMPT' COMPANIES

MARY FRINGS

A POPULAR change was introduced this year to amend the three-year old regulations governing Bahrain's Exempt Companies. Most are privately owned. But some are public joint stock companies and the prohibition has now been lifted which formerly forbad local investors from subscribing to their primary share issues.

Only eight such companies have been registered so far, but Bahrainis were green with envy as reports rolled in from Kuwait of fortunes made overnight on the trading of shares in Pearl Investment Company, Gulf Union Insurance Company and their successors.

Hitherto, Bahrainis were permitted to participate only as promoters or founders, and this restricted the opportunity to a few.

More importantly, founding shares could only legally be disposed of after three years. It was impossible to stop private transactions—witness a report in February, 1980, that 2½ million founding shares in Gulf Investment Company had been sold forward, in a gamble on their reaching four times their face value in 12 months—but there was a long wait before they could be freely traded on the stock exchange.

As one local banker remarked, it did seem rather illogical that in a free enterprise economy, a Bahraini could invest his money anywhere in the world, except in an offshore company registered in Bahrain.

Two new public companies have now been approved in principle. When they complete their documentation and come to the market, their share issues will be the first in which subscriptions will be open to all Gulf nationals without exception.

One is the Agriculture and Livestock Company, which plans to ship live sheep and cattle and other farm produce into the Gulf. Some 20 per cent of its paid-up capital of $100m is expected to be offered to the public. The other is International Real Estate Company, also with a capital of $100m.

Nearly 70 companies are now registered in Bahrain as "exempt"—which means they are not subject to the usual requirement to take a majority local partner, or to pay dues to a sponsor or agent, provided they satisfy the Ministry of Commerce of their financial standing and do not compete in the local market. They pay an annual licence fee and provide the Bahrain Monetary Agency with a guarantee for the benefit of local creditors in the event of liquidation.

Growing number

The number of banks and investment houses registered as ECs is steadily growing: among them are Gulf Riyadh, FRAB Bank (ME), Kleinwort Benson, European Arab, Al Bahrain Arab African Bank (ALBAAB), Trans-Arabian Investment Bank (TAIB), Citicorp (International) ME and United Gulf Bank.

Other recent ventures include the Bank of Kuwait and Asia, founded with a capital of $30m by a number of Kuwaiti financial institutions and two Bahrain banks, to operate under an OBU licence; and the Bahrain and Middle East Bank, which is still under formation. It has a capital of $50m and will be managed by First Chicago Bank under an investment banking licence (IBL).

One of the private EC's in the news has been Arab Leasing, which raised international credit facilities to supply Gulf Air with an additional TriStar. But generally it is only the activites of the public companies which attract attention.

Three of these were permitted to issue shares in 1980, following the lifting of a year-long torium, imposed after Gulf Investment Company's $25m share offer was 1,263 times oversubscribed, mainly from Kuwait.

The authorities feared for Bahrain's reputation as a sound financial centre if speculation was allowed to get out of hand, so new measures were introduced ot require a 5 per cent cash deposit on subscriptions, and closer scrutiny of applications to avoid duplication. For two of the 1980 issues, subscribers were pre-registered on production of original passports or nationality certificates.

Arab Iron and Steel Company put $48m worth of shares on the market and the issue was covered 42 times—an encouraging start for an industrial venture.

Consolidated Gulf Services and Industries, a joint venture between South-East Asian and Arab interests, had stronger investor appeal because of its wide range of services in port management, health care, agricultural and electrical projects, and general maintenance.

Its $25m float was 280 times oversubscribed—still reasonable in comparison with GIC. However, the much smaller issue by Arab International Insurance Company ($2.5m) was less strictly controlled, and oversubscription by a factor of 680 caused such official displeasure that for a time there was talk of cancelling the issue.

Although another 20 applications are with the Ministry of Commerce for the flotation of new public joint stock companies, the Director of Commercial and Companies Affairs, Ahmed Hubail, says no more than three or four are likely to be approved for 1981.

There is no ceiling, however, on the number of private companies, and new EC's in this category include Mitsubishi Corporation, which has a capital of BD 220,000 and uses its Bahrain office to co-ordinate its 13 representative offices throughout the Middle East.

Other Japanese interests are represented by C. Itoh (general trade and engineering) and Jecee Consult (ME). Kuwaitis are prominent in Al Omran International, a contracting company, and MISC Arabian Container Line, a joint venture with a Malaysian shipping firm.

Among other newcomers are Elders (Australia) ME, which is interested in the Australian meat trade, and Raychem ME International, in electrical cables.

Last year was the first for which a number of Bahrain offshore public companies published audited accounts: they must have a track record of three years of profit before obtaining listing on the Kuwait Stock Exchange, as well as fulfilling certain ownership conditions.

The $100m Pearl Investment Company reported a profit for its first 18 months of almost $24m, and distributed a 6 per cent dividend plus one bonus share for every 10 held.

The EC has a 40 per cent stake in Pearl Holding Luxembourg SA, which recently set up the Kuwaiti-French Bank in Paris, in partnership with Credit Industriel et Commercial. It has property interest in Hong Kong and the U.S., but the bulk of its profit came from trading in shares.

Al Jazeera Contracting Company whose $52m capital was only 20 per cent paid up, declared a modest 12-month profit of $2.8m and distributed a 1[illegible] per cent cash dividend, together with payment of an additional 5 per cent to the capital. Apart from its contracting interests which include a $200m irrigation project in Iraq, Al Jazeera invests in shares and currencies and has bought a 10 per cent stake in the British construction company, French Keir.

Gulf Investment Company declared a 14-month profit of $44m. In order to conserve liquid assets, shareholders received one bonus share in 10 instead of a cash dividend. But assets increased from the original $125m capital to $195m, assisted by a successful speculation in silver which showed a profit of $75m.

Criticism

Although the Ministry of Commerce is pleased to see the ECs thriving, Mr. Hubail is critical of the fact that a few are slow to fulfil their objectives. Their boards have been told that it is time they paid more attention to their terms of reference, instead of using an Exempt Company as a vehicle for speculating in shares and other financial investments.

Another bone of contention between the Government and the public companies is their lack of an active headquarters in Bahrain. The Gulf Union Insurance Company's offices, for example, are reportedly used solely for board meetings, while the real business is done in Al Khobar and Kuwait. Others have a skeleton staff, but the "administration manager" has little to manage and refers all matters of importance to the chairman or a director, by telephone.

If these companies do not comply with the EC regulations, warns Mr. Hubail, "we are prepared to enforce the law."

Market leaders crowd out the smaller banks

DOMESTIC BANKING

MARY FRINGS

IN FIVE YEARS, says one local banker, the 20 domestic banks in Bahrain will have shrunk to *half a dozen.*

This is an extreme view, but one that has a good deal of logic. The market leaders, *National* Bank of Bahrain (NBB) and Bank of Bahrain and *Kuwait* (BBK), share between them half the total assets of BD 900m (£1.15m) (excluding contra accounts) and 45 per cent of the BD 18m (£23m) profits. Add in the two smaller local banks, Al Ahli and Bahrain Islamic Bank, together with leading foreign banks Chartered and BBME, and 75 per cent of both assets and profits are accounted for.

This leaves a small share for the other 14 banks, and the trend of the past few years suggests it will be a diminishing one. There is *no doubt* that for the volume of local business available, Bahrain is over-banked. The opportunities are greater offshore, and if the *OBU concept* had been introduced earlier, fewer foreign banks would have found themselves in the domestic market.

Some foreign bank managers hedge when asked if a domestic presence is worthwhile. M Jean Bourcelot of Parisbas says that in conjunction with an OBU it is acceptable. But he admits that Bahrain is a difficult market, partly because foreign banks are excluded from public sector *business, which plays* a major part in the economy.

Foreign banks without a broad local deposit base are the first to feel the pinch when there is an outflow of dinars into higher interest-bearing foreign currencies, resulting in a shortage of domestic liquidity. The rush into dollars was particularly marked in December *last* year. The banks' foreign currency liabilities to residents jumped *by the equivalent of* BD 34m (£43m) and this contributed to a 198 per cent growth (BD 75.8m equivalent) in residents' foreign currency deposits over the year—a growth almost matched by the rise (BD 74.7m) *in residents' dinar borrowings.*

Overall, the residents' section *of the aggregate dinar balance* sheet was "*short*" by BD 51m, with borrowings *of* BD 507m against deposits of BD 456m. A smaller deficit in the non-residents' section contributed to a net deficit in the system of *BD 73m.*

Swap facility

Banks were able to relieve this illiquidity by recourse to the Bahrain Monetary Agency's *swap facility, under which relatively* cheap dinars (at an effective cost of around 12 per cent) are made available against dollars. In December the swap was running at an average daily volume of BD 36m. There was also some further official help to the system in the form of government deposits which increased from BD 49m to BD 85m.

The BMA responded to the liquidity shortage by raising the dinar deposit rate *ceiling* on December 13 by 1 per cent, giving a new interest range of 8½ per cent for one month to *10½* per cent for 15 months.

The situation eased slightly in the *new* year, *but the BMA* considered excessive use was still being made of the swap, to finance interest arbitrage against the dollar rather than genuine dinar commercial borrowing. From April 1, a two-tier system *has* operated. The first tier is limited to covering shortages in *funding* dinar-denominated commercial assets, on the same preferential terms as before. Requirements which cannot be justified on this basis are covered at ordinary interbank market rates.

It is too early to say how this is working out, but the authorities are watching its effects closely—and believe many banks will now husband their surplus deposits rather more carefully to avoid having to *resort to the swap facility quite* so often in the future.

Preliminary figures for the first quarter of 1981 showed a BD 3m (0.6 per cent) fall in the dinar money supply (M2). The banks' aggregate balance sheet *grew by 1 per cent with lending* up by BD 8m, though deposits fell by BD 4m. Liquidity was a continuing problem and with no net increase in the aggregate *pool* of funds in the market, interbank lending was down by BD 9.5m (35 per cent). Foreign assets and liabilities showed a significant rise, by BD 23m (7 per cent) and BD 20m (8.5 per cent) respectively.

Looking further ahead at business prospects, NBB's gen*eral manager Mr Nooruddin A.* Nooruddin commented: "We started the year with the optimistic feeling that with the start of three new industrial projects, the economy would pick up in 1981—and that optimism has *not diminished.*"

He detects no upturn in trade yet, but believes the property market is ready for a revival. "*The demand for houses* and flats will exceed supply later this year, and we are looking at this sector carefully to see if our customers aneed to invest. But we will only encourage sound development projects in which the owner has at least a 30 per cent stake."

NBB plans to open a branch in Abu Dhabi later this year, its first outside Bahrain. The branch network by the end of 1981, which marks the bank's Silver Jubilee, will have grown from 15 to 20 and the *bank has this year been granted* an OBU licence.

While NBB has concentrated on the local market, BBK has a thriving three-year-old branch in Kuwait as well as 10 local branches, and was the first local bank to open an offshore unit. It has overtaken its older rival *in size after* only nine years of operation.

Consolidation

Bahrain Islamic Bank made an encouraging entry into the market, and Al-Ahli consolidated *its* position in its second year of operation. Return on average assets has been calculated by the rule-of-thumb method setting net income against the average of 1979 and 1980 year-end assets, leading to *some discrepancies with the* ratios published in local banks' annual reports: thus Al-Ahli computes its own ROA at 2.32 per cent.

Besides the 20 commercial banks, at least one of which *sells gold over the counter, a* growing number of commodity brokers are established in the Bahrain market, and the BMA this year decided that some regulation and supervision was required, both of precious *metals and commodity trading.* Accordingly, two new types of licence are to be issued from July 1, for dealers and brokers, with particularly stringent conditions attached to futures trading.

The Bahrain Bankers Training Centre, to which all the 150 banks and representative offices contribute 1 per cent of their payroll, went into operation in February. By the end of June, more than 200 bank employees will have attended modular courses, under the direction of Citibanker Mr Gerald Kangas.

Instructors from public accountants Arthur Andersen, and from the Citibank training institute in Athens, have been brought in for specialised *courses at the Centre on* accountancy and foreign exchange. Two more permanent staff will be recruited for the academic year in September, to *share* the teaching load with Mr. Kangas and his assistant, Mr. Derek Livesey, formerly of Midland Bank.

The Centre may in future become a professional training college for the whole region. But at present and despite the existence of in-house and over*seas training programmes* in almost every major local bank, the places are almost fully booked from Bahrain.

BAHRAIN'S COMMERCIAL BANKS

Performance in 1980

Assets ex contra a/c at 31/12/80, in BDm	Bank	Profit BDm 1980	Profit BDm 1979	% return on average assets
297.332	National Bank of Bahrain	4.795	3.680	1.9
141.468	Bank of Bahrain & Kuwait (Bah. FCB)	3.477	—	—
427.944	BBK consolidated	5.252	5.762	1.4
110.159	Chartered Bank	2.075	1.909	2.0
61.604	British Bank of the Middle East	1.399	0.896	2.4
56.383	Al-Ahli Commercial Bank	1.141	0.894	2.8
37.888	Bank Melli Iran	1.400	0.257	3.6
26.703	United Bank	0.601	0.400	2.4
24.780	Grindlays Bank	0.771	0.450	2.5
23.916	Habib Bank	0.469	0.316	2.8
20.845	Banque de Paris et des Pays Bas	0.157	0.146	1.0
17.926	Arab Bank	0.265	0.250	1.6
13.825	National Bank of Abu Dhabi	0.053	0.068	0.4
12.515	Bank Saderat Iran	0.216	0.147	1.8
12.377	Algemene Bank Nederland	0.151	0.089	1.4
12.365	Citibank	0.239	0.053	9.7
11.368	Bahrain Islamic Bank†	0.546	—	—
6.499	Chase Manhattan Bank	0.323	0.209	4.6
5.275	Rafidain Bank	(0.019)	0.117	(0.4)
4.308	Banque du Caire	0.172	0.141	4.6
3.399	Continental Bank	(0.179)	(0.101)	(3.9)

Parentheses indicate negative figure. † Figures for BIB are as at November 21, 1980, the end of Hijra year 1400; exchange rate, BD 0.376=U.S.$1.

War risk surcharges remain

INSURANCE

MARY FRINGS

WAR RISK insurance premiums are *no* longer a highly contentious issue in the Gulf, although a surcharge is likely to remain in force for shipping venturing beyond Latitude 24 degrees North, *as long as hostilities* continue between Iraq and Iran.

This line runs just south of the Straits of Hormuz. At the time of writing—and the situation remains highly changeable—rates for a maximum of seven days in Gulf waters, *excluding* Iraqi and Iranian ports, are *quotable at seven* days' notice, with additional days on application. This applies to hull and machinery but not to cargo, which is covered by the normal world war risk rate.

An outcry

A similar situation 18 *months* ago caused an outcry—but the surcharge *then was* based on fears of Israeli sabotage, of a pre-emptive U.S. strike to possess the Gulf oilfields or of super-tankers being sunk across the Straits of Hormuz to *obstruct* the channel. The presence of a real but localised war has effectively silenced those who argued that London underwriters were simply trying to solve their cash-flow difficulties by milking the oil-rich Arabs.

It is, of course, very expensive indeed to enter *Iraqi* or Iranian waters. But the port of Bandar Abbas *is* nevertheless suffering serious congestion as a safer *Iranian* alternative to Bandar Khomeini.

As far as Gulf shipowners are concerned, the Arab War Risk Syndicate (AWRIS) is going like clockwork, and national insurance companies are confident that by buying re-insur*ance in bulk the syndicate* is obtaining the best available rates in the international market. AWRIS was set up in 1980 by over 30 national insurance companies *in the seven* Gulf Arab states, and went into *operation* on January 1 this year.

The syndicate is insuring all Gulf-owned general cargo and tanker business, plus offshore oil installations and *a high* percentage of cargo shipped into the Gulf in foreign vessels.

AWRIS's gross premium income in its first year is anticipated to be between $10 and $12m, of which the syndicate's participating companies will take on to their own books $2.5m. The *remainder (not to* be confused with subsequent *reinsurance)* will be placed with the London market and, to a much smaller extent, in the U.S. and France.

While AWRIS has made an encouraging start, the presence of the Bahrain-based Arab Insurance Group (ARIG) has yet to be felt. The $3bn joint venture between Libya, Kuwait and the UAE plans to start writing what *facultative business it* can from July 1, but will also *hope to work through regular* treaties from the beginning of 1982. *Marketing manager.* Mr. Loay Al Naquib, formerly of Kuwait National Petroleum Company, says ARIG will do no direct insurance initially, and in facultative acceptances it will be "extremely cautious and selective."

Despite the current overcapacity in the *re-insurance* market, he said ARIG would approach *international* underwriters and "ask them to spare a share for us." He said a number of re-insurance companies had shown themselves willing to co-operate, and *in its first 18* months of operation ARIG would not be volume-hungry: a tentative premium income target for that period is put at $25-$50m, of which 50 to 60 per cent is expected to be marine.

Despite its emphasis on the international scene, ARIG undoubtedly has an eye on the $3bn worth of reinsurance premiums which annually leave the Arab countries, and one of its stated objectives is to retain *at least part of them* in the Arab world.

Oddly enough, ARIG has as yet made no formal contact with the War Risk pool.

The attraction of Bahrain as the financial centre of a region where multi-million dollar projects are under way has not been lost on the insurance world, and American, Swiss, French and Norwegian underwriting agencies have joined the well-entrenched British, *Iranian and* Indian interests.

Five companies are registered offshore, mainly to exploit the rich potential of the Saudi market. Saudi International was formed in 1979 by a Saudi consortium and British companies Hogg Robinson and Prudential, and operates from an office in *Riyadh. Gulf Union,* also formed in 1979 with largely *Kuwaiti* backing and a 40 per cent public shareholding, started underwriting this year from Al Khobar.

Despite the competition in the Bahrain market, at least 60 per cent of the business is done by the four national insurance companies, whose collective premium income in 1980 amounted to BD 8.5m (£10.9m) *against* an estimated market total of BD 12-14m.

First in the field in 1955 was the Co-operative Compensation Society, colloquially known as the Sunduq (fund). It was formed originally as a co-operative *for taxi-drivers,* when the traffic authorities brought in a requirement for third party insurance, and it still restricts itself to motor business.

Bahrain Insurance Company was formed in 1970 with a one-third shareholding from the State Insurance Organisation of Iraq. Despite a crisis of confidence a few months ago, following the discovery of a BD 600,000 (£760,000) embezzlement over a period of six years. *BIC has confirmed its financial* strength with the announcement of an operating profit for 1980 of BD 307,000 (boosted to an overall profit of BD 420,000 by *extraordinary* income relating to previous years), and dis*tribution of* a 25 per cent dividend.

Al Ahlia and Bahrain Kuwait Insurance Company also showed healthy profits, while premium income at Al Ahlia topped BD 3m for the first time, making it the biggest national company.

By forming consortia to insure major local and pan-Arab undertakings, the *latter three* national companies have almost *always* been able *to* offer general insurance rates more competitive than anything available from foreign competitors. Thus, in the industrial sector, BIC leads the Asry consortium, on behalf of the national companies of the seven shareholding OAPEC states. Al Ahlia leads the Gulf Air pool, as well as the local consortia for Balexco, Banoco and Banagas, while BKIC leads on Alba. The *Bahraini companies also com*bine to insure a number of banks and hotels, and all look forward to more business from the forthcoming construction projects.

A masterplan for Manama, Bahrain's capital and for the even more crowded city of Muharraq, has provided a framework for urban redevelopment. Here, and on the following four pages, Financial Times writers highlight some of the main needs and development of the island's infrastructure.

A crash programme to ease pressing need for housing

PUBLIC WORKS

MARY FRINGS

SERRIED RANKS of system-built apartment blocks do little to enhance the flat, arid landscape around Isa Town and Muharraq. But as an alternative to waiting four or five years to move out of a slum, or to get married and set up a first home, the alien concept of renting a flat is rapidly becoming accepted in Bahrain.

The target of the five-year-old Housing Ministry's crash building programme is to provide homes for all Bahraini families who cannot provide for themselves. But there are 9,000 families on the housing list, 40,000 to 50,000 people, and more join the queue every year.

Under Shaikh Khalid bin Abdulla Al Khalifa, the Ministry is tackling the problem in four ways: by constructing its own houses, by distributing plots of land as a gift from the ruler to those who have money to build, by lending via the Housing Bank to those who have land but no money, and by making smaller loans for the rehabilitation or extension of old houses.

Nothing can be done at present for non-Bahrainis, says Shaikh Khalid, however bad the conditions in which they live. The citizens of the State must come first.

The average cost to the Ministry of a standard two-bedroom, two-bathroom house, including infrastructure and services, is around £21,000. But even in the bigger houses, the rental may not exceed 25 per cent of the family's income. For flats or smaller houses it is usually much lower, and may be further reduced in cases of hardship, after investigation by a social welfare committee.

During its first three-year plan (1976-78) the Ministry built 2,400 houses and 736 flats, and distributed 2,000 loans and 1,500 plots of land. The aim of the current plan, to which BD 75m (£92.5m) has been allocated from the state development budget, is to build more than 5,000 homes and distribute 1,500 loans, plus the same number of plots of land.

Loans are handled through the Government Housing Bank, established in November 1979 with a paid-up capital of BD 15m (£18.5m). A borrower may be granted up to £18,500, on the security of his land, and pay nothing for the first year while his house is under construction. After that he makes repayments over a maximum of 25 years in the form of rent, giving the bank a return on its investment of no more than 5 per cent (Islam forbids the charging of interest on the essentials of life).

Ministry of Housing contracts are keenly sought after by local construction companies, who are required to pre-qualify at the beginning of each three-year plan. All the flats—as well as schools for the Ministry of Education and flats and houses for other government departments—are being built by United Building Factories (UBF), which manufactures precast concrete building components under licence from Camus of France

Land shortage

Housing projects are in progress in 17 different areas of Bahrain, but by the end of this year the Ministry will have used up most of the land allocated to it around the older towns and villages, while Isa Town, established as a new community 15 years ago, is nearing its planned development limits of 7,000 houses for about 35,000 people.

The next phase of the Ministry's programme, starting in 1982, calls for the construction of a second completely new town for up to 60,000 people. The north-west corner of the 18 sq km site is close to the forthcoming Saudi Arabian Highway, while the southern edge will border the Gulf University campus.

The natural contours of the land, sloping from the island's central plateau to the sea, offer considerable scope to the planners, and a model in the Ministry's Physical Planning Department shows several carefully placed groups of lentils among the Lilliputian white villas and office blocks. These represent the ancient burial mounds, which are to be preserved as an integral part of the town's design.

At present, more than 70 per cent of Bahrain's 360,000 people are concentrated in Manama and Muharraq. An attempt is to be made not merely to spread the population into another dormitory town, but to create a new commercial and recreation centre.

A master plan for the capital, and for the even more crowded city of Muharraq, has provided a framework for urban redevelopment within an almost completed new system of ring roads.

Land reclamation has made it possible in some areas to build the new without first knocking down the old: hence a spacious but rather ugly central market complex close to the seashore, a site for the island's first multi-storey car park, and the prestige "diplomatic area" development which already accommodates the blue-glass Bahrain Monetary Agency, the Kuwaiti Embassy, the fortress-like Ministry of Justice and the more gracious Ministry of Housing, the Gulf Air headquarters and a number of other high-rise office blocks.

Sheikh Khalid Bin Abdulla Al-Khalifa, the Minister of Housing

So far, the deteriorating old city areas remain virtually untouched, and it is only a short step from the modern shops to the patched, haphazard buildings propping each other up in streets so narrow that the sludgegulpers cannot pass to clean the cesspits.

It will take another 20 years or more to lay a minor sewerage network, although the trunk sewers are in after prodigious digging. So familiar have city-dwellers become with the so-called Foul Water Drainage Scheme that the sight of Pakistani labourers, clad in divers' wetsuits against the winter chill, disappearing into trenches half full of water, raises hardly a second glance. The scheme has already cost BD 50m (£62m) and another BD 11m is allocated for a Pollution Control Centre to dispose of the effluent.

The prevalence of diarrhoeal diseases in Bahrain has made this expenditure a top priority. Other more ornamental projects, such as a cultural centre which went to an international design competition, have foundered or been shelved for lack of finance. A decision is still awaited on the attractive City Plaza plan to provide a focal point for the sprawling capital.

The franchise agreement under which Cable and Wireless owns and manages Bahrain's telecommunications services runs out next year, and negotiations have started on the acquisition of majority local ownership — probably 60 per cent. The local partner — whether Government, as in the case of Bapco, or private sector as in the case of Gray Mackenzie — will be taking on a heavy investment programme of about £120m between 1981-84, to maintain the island's position in the forefront of telecommunications technology.

Internationally, Bahrain was the first Gulf state with an earth satellite station in 1969, and a second was commissioned in May 1980. Direct overseas dialling is available to Britain, the U.S. and most of Europe, and new routes to the East are being introduced. It is even possible to enjoy this service from a private car—at a fairly hefty price. Moneybrokers, foreign exchange dealers and commodity traders can have dedicated lines to London, Hong Kong and New York, while a Reuters monitor keeps them informed of the latest gold prices and money market rates.

Expansion

The inland system serves over 40,000 subscribers (with 70,000 telephones in use), compared with 13,000 in 1975. Because of this expansion, the waiting list for telephones has been reduced from 12,000 in 1978 to almost nil. The old Strowger mechanical exchanges have been eliminated, except for Bapco's private system which is of some historic interest, and is finally to be taken over and modernised by Cable and Wireless.

A recent increase in inland telephone charges caused local grumbling but Bahrain Telephones manager, Mr Alec Sherman, was quick to point out that it was the first increase for five years, and only the second in a quarter of a century. Mr Sherman quotes installation costs of £37 and annual rental of £59, compared with charges to a UK business customer of £75 and £67. Cable and Wireless has not adopted a "free" local call system, as has the UAE, because it believes payment according to use is fairer, and discourages unnecessarily lengthy calls. It will be interesting to see whether the new Bahraini company agrees.

Some complex problems ahead

THE MERCHANT COMMUNITY

DUNCAN CAMPBELL-SMITH

"I USED to be like a bee, going where the honey was," said Mr. Yousuf Al-Moayyed. "I would spend three days a week in Kuwait and would visit Saudi Arabia regularly as well. But things have changed. For 10 years we have seen a different Gulf."

The difference does not appear to have had any markedly damaging effect on Mr. Al-Moayyed's business, which is still thriving enough to embrace many members of his family—in which he proudly includes 280 relatives—and which puts him among perhaps half a dozen names at the centre of Bahrain's merchant community.

Like earlier generations of the Kanoo, the Jalal, the Al-Mannai and the Al-Zayani families, Mr. Al-Moayyed's forebears devoted much of their energies to Bahrain's pearl trade. He worked in it with his father for four years, but set out on his own in 1938. Bee-like, he flitted industriously from one Gulf port to another, seeking wartime supplies for Bahrain and its RAF base. But the honey came later—including an agency with the Kuwait Oil Company and electrical and mechanical supply contracts in Saudi Arabia.

Co-operation

Where things have changed, as he says, is that the States of the Gulf are no longer so open to this kind of trading. Whatever the moves towards closer co-operation at Government level, each State is relying for its import requirements on the services of its own local merchants far more than was the case in earlier decades. Bahrain's traditional *entrepot* role has been curtailed accordingly since about the mid-1960s.

One of the earliest motives for the industrialisation of the island sprang, in fact, from the Government's desire to provide sufficient domestic business in Bahrain for the merchants to be able to adjust smoothly to the contraction of their Gulf market. In this respect, however, industrialisation has not been an unqualified success.

None can doubt that it has kept the merchants busy and their pockets for the most part well-lined. But it is conspicuous that they have taken little direct stake in the process through joint ventures with foreign companies or smaller, private manufacturing enterprises. Some attribute this to an unwarranted conservatism but there are other more important disincentives.

One has been their lack of capital. Though traditionally oriented towards Eastern trade, Bahrain's merchant community was never much involved in the wholesale smuggling of gold to India which bequeathed such a useful capital base for many families in Kuwait and the Emirates.

A second obstacle has been the limited size of the home market for small manufactured items and the costs of transportation from the island—both of them problems, incidentally, which its advocates believe a causeway to Saudi Arabia will largely dispel.

Instead of taking a direct stake, therefore, the merchants have prospered from industrialisation chiefly by tending the enormous boom in consumer goods which has accompanied it over the last decade. This has its own implications for the economy and society at large.

For the merchants themselves, it has involved a divergence of roles and, for many, potentially serious difficulties ahead.

The wealthier and longer established merchants like Mr. Al-Moayyed have moved away from simple distribution and retailing, leaving it increasingly to smaller trading companies whose number has swelled with every year of the boom. (This has not always been to the liking of the established families, as might be suggested by a present debate within the Chamber of Commerce over whether or not to limit the size of its membership, in some way.)

The problem is that the conservative business practices of many of these companies differ little from the traditional methods of an earlier age. Now many are struggling with huge and ill-accounted consumer receivables.

One dealer in electrical appliances recently disclosed that he had outstanding receivables of $7m — mostly due from customers who had bought on extended, not to say over-stretched, credit terms. According to one local banker, this is not an unusual situation.

Activities

However, it does suggest that there is an urgent need for cash management advisory services — as one of the local U.S. banks has acknowledged this year by setting up a Commercial Treasury Unit which will go out into the market to introduce them.

Most of the really prominent merchants, though, need no such introduction. Indeed, the Kanoo interests for example were themselves built upon the banking services which the founder of the family's fortunes provided to the pre-war pearling business.

Today, the Yusuf bin Ahmed Kanoo group is probably the largest merchant company in the Lower Gulf with huge shipping, travel and insurance interests as well as various industrial service companies which extend throughout the Gulf region and beyond.

Under Ahmed bin Ali Kanoo, the present chairman, its development is certainly not typical of the whole community but does have many features shared by the handful of leading family businesses.

These have concentrated their trading activities around wholesale franchise and import agency operations. More than this, they have extended in recent years beyond trade into other economic sectors. In the process, a new corporate style has emerged—often establishing a general executive management with expatriate consultants and directors, while

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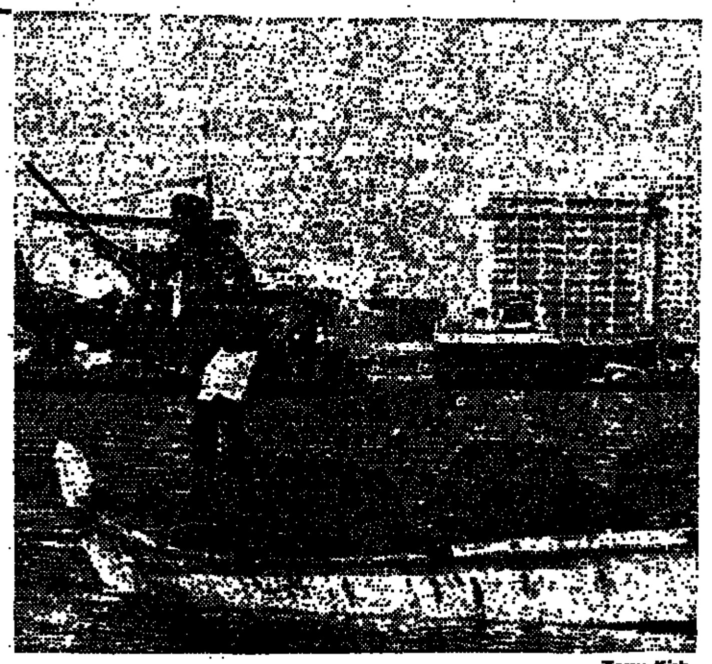
Significant boost for the agricultural sector

AGRICULTURE AND FISHING

DUNCAN CAMPBELL-SMITH



Terry Kirk

A fisherman off Muharraq Island—with the new Diplomat Hotel in the background

THE SAME man who first brought the oil industry to Bahrain, Major Frank Holmes, was also responsible for constructing the island's artesian water wells. Today, the sweet water reserves which he tapped are cherished in some quarters with as much devotion as the oil itself.

Years of over-consumption have seriously lowered the fresh water table beneath the island. Faintly sinister tracts of headless palms mark out the creeping advance of salinity into inland Bahrain. But at last the progress made in desalination and sewage effluence technology has given Bahrainis the means to reverse the process, prompting much talk of "General Greenery" and giving a major boost to agricultural plans.

"There is a problem, but it is no longer unmanageable," says Mr. Zadiq Al-Alawi, the country's affable and estimably cautious Director of Agriculture. His confidence is based partly on a comprehensive report by Groundwater Development Consultants International, prepared over two-and-a-half years and submitted at the beginning of 1981.

In essence, its recommendations—"they got a very good response," says Mr. Al-Alawi—were that desalination plants should provide for the bulk of the 60m cubic metres of annual domestic and industrial consumption, leaving natural water and, increasingly, sewage effluent to provide for agriculture.

The latter presently uses 90m cubic metres a year, but the report has also proposed a drastic improvement in irrigation techniques which ought to cut this consumption by one third. The two-fold aim, therefore, is simultaneously to provide for a recovery in the level of the water table and an increase in farming production which will be pioneered and demonstrated at a new agricultural development centre.

Allocation

This is the promising background to the major undertaking for Bahrain's agricultural sector which remains the Six-Year Plan. Submitted in 1980, large sections of the Plan have now been approved by the Government. A budgetary allocation is being discussed and the Plan should be launched before the end of the year.

The advances to be made under the Plan—and those already achieved—appear striking but it should not be forgotten that a start was made only a few years ago from, in the economists' phrase, a low base. With its very limited cultivateable land, Bahrain has no hope of achieving anything like self-sufficiency in raw foodstuffs and the economy's urbanisation has left most village allotments in the hands of old men. Nevertheless, much has been achieved.

Livestock on the island includes 6,000 cattle, 15,000 sheep and 15,000 goats. All are to be increased substantially under the plan. A particular effort has been made with poultry.

The local demand for eggs should be fully met domestically in 1981 along with half the demand for broilers. The Dilmun Poultry Company, which is 85 per cent privately owned by local companies and individuals, is now considering the final bids for construction of a feedstock mill and a processing plant to handle 9m birds a year by 1990.

The bourgainvillea-adorned offices of the Agriculture Director sit in the middle of the Budayya Gardens, where more efforts to meet a local demand have succeeded in filling Bahrain's central market with a broad range of fruit and vegetables. A two-year Food and Agricultural Organisation project to extend the growing season for vegetables through intensive horticulture is half completed and a date processing plant will be built next year. It will cost at least BD 500,000, which it is hoped will help boost the present date production of 13,000 tons p.a.

One half of the Budayya Gardens is destined to become a public botanical park—a good example of the direct link between agriculture and Bahrain's image as a (relatively) green and pleasant land, to which the World Bank attached considerable importance in a confidential report to the Government, last year.

Agriculture's political contribution in this respect, however, cannot be matched in terms of its employment opportunities. The official 1980 agricultural labour force was 2,480—and the Government acknowledges that the introduction of new technology and management methods is likely to reduce this further.

Fishing, on the other hand, is a small sector of the economy which the Government hopes *can yet provide a useful source* of new jobs. Indeed, Government policy towards the fishing industry regards this as its first priority. Export earnings, according to Mr. Hassan Al-Nosuf, the Under-Secretary at the Ministry of Commerce, would be "a very useful second target."

First, though, the Government has to arrest the continuing decline of fishing. An estimated 10-15 per cent of its *full-time (and elderly) force of* perhaps 2,000 men is lost each year to the more secure jobs offered in the urbanised economy. Fishing in Bahrain at the present rate could within a few years become hardly more than a part-time occupation, even in villages where it has traditionally been the main activity.

Facilities

To reverse this, the Government's Directorate of Fisheries, under Dr. Khalid Fakhro, has a Five-Year Plan which was finalised and approved by the Cabinet in February. Its budget has not been settled, but could be around BD 11-12m. And it has two principal aims: to encourage a larger and very much better trained labour force and to make available every facility needed for a small but promising modern fishing industry.

The Directorate's first training course was held in May. The Government wants Bahrain fishermen to move away from their traditional trawling nets, with their small mesh size, and adapt to new net designs which can also be more readily repaired at sea. Engine maintenance courses are another important item — there are about 2,000 small boats in Bahrain equipped only with outboard motors — as well as instruction on how best to modernise the operations of the traditional dhow. The island has about 90 dhows in use.

Dr. Fakhro hopes to stimulate wider interest in fishing with such courses, as well as better methods. Courses will later be given in the villages themselves and the Ministry of Commerce is keen to see fishing introduced to the curriculum of the Government secondary schools.

Even so, no matter how successfully stimulated, any interest shown by young Bahrainis in fishing will not survive the competition from the town economy, unless the sector gains a new commercial attractiveness. Legislation passed in March has aimed at a tighter regulation of fishing practices to help the authorities steer them in more profitable directions.

The most obvious example of effective Government supervision has been its action to restore the local shrimp population. Disastrous shrimp catches in 1978 and 1979 led to the collapse of the Bahrain Fishing Company.

Acting with other Gulf Governments, Bahrain's Fishing Directorate has imposed a succession of moratoria on shrimp *fishing — the lates started on* March 1 and runs to June 30 — and Dr. Fakhro has every confidence that a reviving shrimp population once again constitutes "a major asset of the industry."

The Directorate has its own small industrial fleet of five trawlers and has expanded the domestic market with new products like frozen fillets and skinned shrimps. Another direct contribution it hopes to *make by opening an experi*mental fish farm later this year.

The Government has given the Directorate an artificially created salt water lagoon just to the south of the ALBA site. It is not a very likely setting for a fish farm. But this is what should appear by the end of 1981 and there are said to be private sector entrepreneurs who will be following its results with a view to the commercial possibilities.

Complex problems

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overall strategy remains with the family.

Even within the family, new attitudes are taking over as a younger generation is accumulating more effective control. Many of the individuals concerned have Western business school backgrounds.

"But it is more important that we now have six or seven years' experience in the business," says Mr. Khalid Al-Zayani. "This has helped us convince our fathers that a family business can become a corporation—and the transition from one to the other will be the major development of the 1980s."

In moving beyond trade, the Al-Zayani have run counter to the general view of manufacturing and have established such successful ventures as Gulf Plastics Industries and Midal Cables, which takes hot metal directly from the Alba plant. The family is now considering launching more small industrial projects.

But more typically, it is also moving further into banking, insurance and general finance which represent the key new areas for the principal merchants. Khalid Al-Zayani is himself the Deputy Chairman of the Bahrain Islamic Bank and his father, Rashid Al-Zayani, is Chairman and a founding shareholder of Bank of Bahrain and Kuwait, one of the two easily dominant local commercial banks.

Other merchants with unusually broad business interests include the Al-Mannais. Their family is also a little special in that its various branches run separate and legally independent companies, which straddle all of the Gulf. (Ahmed Mannai, for example, is the General Motors agent in Qatar.) But it remains very close-knit. The result is an informal, but effective, association which has much assisted the process of diversification.

Two branches of the family have joined forces in the Mannai Trading and Investment Company Limited (MATRIC). It is headed by Mr. Mohamed Al-Mannai (who has several brothers) and Mr. Darwish Al-Mannai (who has several beautiful sisters) and has launched a range of successful ventures, (several of them happy off-balance sheet consolidations).

These include light manufacturing ventures, such as MATRIC Aluminium, as well as long-standing agency agreements with such companies as Pye and Gulf Oil. But again, the trend towards the financial sector is evident. MATRIC owns 51 per cent of a Bahrain money-broking firm which it established in 1979, in a joint venture with the London-based brokers Kirkland-Whittaker.

All of the Al-Mannai companies donate 2½ per cent of their annual profits to charity. There are regular private appeals to the generosity of the merchants—most recently, for example, to assist the finances of the Gulf Polytechnic—and they regard charity and a prominent civic role in the community as being more important than any formal political role. The latter is conspicuously absent from the present structure of the state.

To date, the merchants have seen little reason for any formal role to exist. New legislation is always fully discussed with the business community, they say, and under the chairmanship of Mr. Mohammed Jalal, the Chamber of Commerce provides exactly the desired framework for the community to exert a strong but discreet influence on public affairs.

Politics have generally been regarded, in fact, as an unnecessary indulgence which would distract merchants from their *time-consuming* business affairs. Government office, of course, is regarded rather *differently*.

Even here, many insist (like Mr. Tariq Al-Moayyed) that it is seen primarily as a social duty: Mr. Al-Moayyed shelved his business career to become Information Minister in 1973 and still describes his appointment as "a great honour," but also "a limited mission."

Some of these attitudes could be changing. The merchants had little time for the National *Assembly of 1974-75*.

"It didn't have much brains," said one senior figure. But there is no doubt that many of the younger generation would now like to see a revived Assembly and would like to participate in it — if only, as one remarked, "to make sure that in future we can still safeguard the stability we have today."

Island-state enjoys relative social harmony

SOCIAL WELFARE

KATHY EVANS

ONE OF the striking characteristics of Bahrain is its relative social harmony.

Bahrain does not have the stresses and strains of dealing with a discontented and envious Arab expatriate community, for the simple reason that it discourages their entry. In 1980, ten times more work permits were given to British people than Syrians, Jordanians, Palestinians and Lebanese put together.

Neither has it had to cope with the social and demographic effects of a massive inflow of oil funds occurring in a short space of time, for Bahrain was the first state in the Gulf to discover oil and has had 50 years to learn to live with its modest oil income. Nor, though wages may be seductively higher outside, has there on the other hand yet been any damaging brain drain from Bahrain to the richer Gulf states.

Any discussion of the social problems of Bahrain has a familiar ring to it. Inflation, high rents, long housing lists, divorce rates, growing delinquency among teenagers, an increasing alcohol and drug problem—all "modern" problems more reminiscent of Western societies than an Arabian Gulf community. But the smallness of the island can at least put the remedies more easily to hand.

Low wages are perhaps the most pressing problem. The average monthly wage for a Bahraini in the private sector is BD 217 ($585). Even if he is living in a government house, where rents are limited to 25 per cent of income, this does not allow the low earner much leeway for a family. Renting property in the private sector is almost out of the question for most young Bahraini couples and many are obliged to remain under their parents' roof until state accommodation can be made available.

At the bottom end of the scale, just under 4 per cent of the Bahraini workforce earn less than BD 90 a month while office clerks draw around BD 200 and teachers BD 218 monthly.

Oil industry workers fare slightly better with wages for petroleum refinery workers averaging BD 244 monthly and a mechanical engineer earning BD 470. All these levels are significantly lower than those for similar positions in other Gulf states, and yet in Bahrain living costs are virtually the same.

The lower scale of incomes in Bahrain makes a working married woman virtually a necessity if a family is to make ends meet. In this respect, Bahrain is radically different from its neighbours, for the one social problem that the island does not appear to have is what to do with its women.

Over 20 years ago, local women began to abandon the veil after returning from foreign universities in Cairo and Beirut. Their sisters at school in Bahrain quickly followed suit and many of the island's women have since attained the highest positions in their careers, which are often surprisingly technical in nature. Bahrain's first drainage engineer was a woman. There are women architects and draughtsmen and at the local polytechnic, it is not uncommon to see 18-year-old girls training to be welders.

Prospects

Bahraini women, like their male counterparts, have discovered that a technical education can lead to a lucrative career, for unlike their Arab sisters, they take degrees not merely to better their prospects on the marriage market, but to get a good job afterwards. To encourage this trend, the Government is establishing 12 state-run nurseries so that more married women can go out to work.

Women represent only 10 per cent of the workforce, according to the 1971 census, though the latest poll just completed is likely to show a much higher figure, says Miss Faisa Zayyani, a social affairs supervisor. Most are working in the Government sector where they form about 36 per cent of all employees, largely because the office hours are more convenient for working mothers.

But even in the civil service, women still have to struggle to achieve senior positions, complains Miss Zayani. "We might be equal in wages, but not opportunity. A woman has to work 10 years in a department before she becomes its head, whereas a man might achieve it in two." It is a complaint which could have been voiced anywhere in the West, and is perhaps testimony to just how far Bahraini women have come.

The Government is encouraging a family planning programme in order that Bahraini families might cope better on their limited incomes. Contraception devices are handed out free. Bahrain's social insurance scheme, administered by the General Organisation for Social Insurance (GOSI), is to be widened over the next two years to cover all employees in *establishments of 10 workers and more.*

GOSI's schemes provide for a pension to be paid to retired workers or their widows and families. In the case of those injured by accidents at work, 75 per cent of the monthly salary will be paid. Next on the agenda is a sickness and maternity benefit provision.

All the schemes are paid for by both employer and employee by means of a monthly levy and cover not only Bahraini workers, but expatriates also, except in the case of pensions. The widow of an English engineer who died in an accident at work was recently awarded BD 22,000 in compensation by GOSI.

The Government pays direct assistance to some Bahraini families through the Social Affairs ministry and about 4,200 families are receiving monthly wages. Officials emphasise that such assistance is only designed as an interim solution and the amounts are therefore limited to a maximum of BD 45 a month. Among the categories of families receiving assistance are those which have been broken up by divorce—for the divorce statistics are growing rapidly.

Such are the problems of modernisation, says Miss Zayyani. Others include a growing juvenile delinquency problem and alcohol and drug addiction.

Dr. Mohammed Haddad, the island's chief psychiatrist, believes such problems are due partly to the changing structure of the Bahrain family. His fears sound only too familiar.

"We used to have an extended family system here, where everyone from grandad down to the newest child lived close by or together and the oldest male member was the head of the household.

"That structure has virtually broken down. Today our geriatric hospital has a waiting list of 200 and they are talking about another unit. I am very much against it. Old people should, as much as possible, be kept at home among their families." The old people's home—still an unknown phenomena in the Arab World—must be kept at bay, says Dr. Haddad.

TV addicts

Another phenomenon which could be more under control is popular television. "Bahraini families have not learnt to turn the television off," says Dr. Haddad. For nearly a decade, young Bahraini children have been fed on a diet of American TV cops and detective shows, and local censorship laws, which tend to preclude any love scenes, leave the violence largely untouched.

Familiarity with the less glorious aspects of Western civilisation has led to drug abuse on the island: glue sniffing was once so prolific that its price in local stationery shops went up five times. Young Bahrainis have access to the full range of narcotics used by Western teenagers.

"At the moment it is only a small problem. The danger is that it is growing," he says. The health ministry is soon to create a special addiction unit to cope with alcohol and drug addicts in Bahrain. Already about 18 per cent of all psychiatric patients in hospital are there for some kind of addiction compared with 4.9 per cent 10 years ago.

Dr. Haddad feels the establishment of a narcotics board consisting of health and social workers and police officials is a priority.

He would also like to see the Government increase the price of alcohol, restrict its sale and instruct teenagers on the dangers of abuse.

Such problems may seem startling in a Gulf community. But as Dr. Haddad put it, "All the Gulf states have them. The only difference is that we talk about them—and we try to do something about them."

RANGE OF GOVERNMENT SCHOOLS

1979-80

Type of school	Sex	Schools	Classes	Students
Primary	Male	41	518	18,265
	Female	33	397	13,447
Primary/intermediate	Male	14	308	12,028
	Female	10	233	9,503
Intermediate	Male	2	29	963
	Female	3	42	1,614
Intermediate and secondary	Male	3	66	2,274
	Female	4	94	3,136
Secondary: general and commercial	Male	4	80	2,435
	Female	4	98	2,752
Industrial and secondary	Male	3	36	813
Religious	Male	1	8	99
Total	Male	68	1,045	36,877
	Female	54	864	30,502

Source: Government statistics.

Gulf's most cost-effective system

EDUCATION

KATHY EVANS

OF ALL THE Gulf states, Bahrain probably has the most cost-effective educational system. The island has less money than its neighbours to lavish on education and it manages nonetheless to ensure that most of the 2,000 or so students who leave school each year can be fitted easily into either higher education schemes or local employment.

The system has to be carefully tailored to the needs of the island's economy. Bahrain just cannot afford to produce too many arts graduates, Arab historians or socialogists when it needs so much expertise in the fields of finance, industry and medicine. Bahrain does not have the massive oil funds to smooth away mistakes.

Local needs

School cirricula accordingly are closely tied to the needs of local employers, and vocational training facilities on the island are light years ahead of other Arab states. It has the only fully fledged polytechnic in the region and, unlike other Arab states, its higher educational facilities are co-educational. At University College, where in theory the facilities are supposed to be segregated, limited funds will not allow the necessary duplication of classrooms and equipment for male and female students to be separated.

Another major difference — and surely the most important— is that outsiders working with local students all testify unanimously to the enthusiasm of young Bahrainis towards their studies.

"At times, it borders on fanaticism," commented one company training officer.

Such remarks are rarely heard elsewhere in the Arab Gulf where teachers are normally coping with the Cadillac generation of undisciplined and disinterested groups of wealthy students. But for most Bahraini students, a good education is the only guarantee of a good job.

Teaching as a profession is loosing its lustre for many Bahraini males, though, as other well paid professions emerge in the economy. Indeed, in the elementary stages, the government is obliged to allow women teachers to teach at boys' schools. Unfortunately because of the segregation rules, women and men teachers cannot work together—with the curious result that boys schools have to be run either entirely by women or entirely by men.

Opinions of the academic results achieved by school leavers are mixed. Those involved in higher education believe the local "Tawjihiya" certificates can vary in standard according to the subject. Almost all complain of the students' poor abiilty in English. University College, among other institutions, is now busily engaged on the task of upgrading English teachers in the schools.

English is one of the most important subjects in any Bahraini's education for all higher achievers and the like its commerce and industry, is conducted in the medium of English, rather than Arabic.

Other recipients of school leavers, such as local industry, complain that their apprentices have only a rudimentary knowledge of the sciences and *can barely recite their multiplication tables.* Nevertheless, the structure is there for the higher achieveres and the academic standards of many of the entrants to Bahrain's fledgling university are praised by its dean, Dr William Stuart.

After school, the students have a number of varied options. They can go to any of the vocational and commercial schools operated by the Government in the schools in the afternoons. Alternatively, there is the Gulf Polytechnic or University College, and if the chosen subject is acceptable, there is the option of study overseas.

The Gulf Polytechnic is perhaps one of the most useful educational institutions anywhere in the region. Some 37 per cent of all its students are directly funded by local companies for day-release or intensive courses, and its principal, Mr. Issa Hashemi, hopes that this figure will increase substantially.

The college was originally set up by four Gulf states, but over the years it, too, has been Bahrainized in both students and teachers. Today, apart from 80 students from Oman, almost all are nationals from Bahrain. The school offers courses in such fields as engineering, data processing, computers, secretarial and business management, all up to recognised international standards. For the current term of study, some 500 potential students had to be turned away.

Progressive

Perhaps one of the most impressive sights at the Polytechnic—and one that certainly shocked a recent official visitor from Iraq — is the young Bahraini girls learning side by side with male students in the technical courses. The college even has two women lecturers teaching engineering.

University College is only in its second academic year. Its ultimate capacity will be 1,400 and it, too, is only taking a fraction of the applicants, for out of 600 school leavers who applied last year, only 117 were admitted.

It is impossible to ignore the very substantial role that private and semi-Government organisations play in vocational training in Bahrain. BAPCO was not surprisingly the pioneer in the field of in-house training, and over the years has given literally hundreds of village children the benefit of expensive foreign educations. Many have been taken in at the age of 13 years and trained up to, and even beyond, degree course level.

Perhaps inevitably, this approach is now being more carefully scrutinised by Bahrain's newer industries. For in the past, many Bahrainis accepted their education and then came home and became disgruntled at their lack of progress within the company. ALBA for one has undergone some radical re-thinking of its training programmes. Before 1975, the company had around 80 students overseas, mainly in Britain, studying anything from polytechnic courses to degrees at university. Today it has only 20 in the UK and only one studying to BSc level.

"In many ways we inherited the BAPCO legacy of higher education," says ALBA's training officer, Mr Harold Boulton. "But we, found that as an aluminium industry we did not need all this higher education. It was not really relevant to us."

Nowadays, the company's policy is to put the potential management trainee to work in the plant for a year so that he has a thorough grounding in plant work. The trainee's progress and thus his promotion prospects and potential for higher training are subject to reports given by his supervisors in the various departments through which he travels.

With its tradition of higher education and vocational training, Bahrain was a natural site for the proposed Gulf University.

Funded by Saudi Arabia, Iraq, Qatar, Kuwait, Oman, the UAE and Bahrain, the university is projected to have 3,000 students in the first phase. Gradually over a 20-year period this will rise to an ultimate capacity of 10,000. The first project will be a medical complex, centred around Bahrain's Salmaniya hospital, with the rest of its facilities and the campus located near one of the island's new towns.

Its director, Dr Abdulla

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Gulf Air is facing a period of some turbulence

AVIATION

DUNCAN CAMPBELL-SMITH

EVERYONE in Bahrain who is connected with Gulf Air, from Civil Aviation officials to Government ministers, wishes its new chief executive, Mr. Ali Al-Malki, the best of luck in his new assignment. It is not hard to see why he is going to need it.

Mr. Al-Malki was formerly the Director of Qatar's Civil Aviation Authority and his arrival in January was only the most important of a number of key staff changes which have come at a time when the airline is already clearly headed for a period of some turbulence.

The changes have included the posts of commercial general manager, financial general manager, marketing and sales manager and consumer services manager. The resulting shuffle—instigated at the behest of the airline's international board but not without some dissension—has stretched the resources of the staff. The airline is now left for example without a resident manager in its London station, although flights to London last year accounted for 35 per cent of Gulf Air's revenues.

They did not, unhappily, contribute anything like the same amount to net profits. In fact, according to Mr. Al-Malki, the London route was even an overall loss-maker—and that points to Gulf Air's second major problem. On its long haul routes, it has flown slap into the crisis over deregulation of fares which is blighting the industry world-wide.

Gulf Air flies fourteen flights a week to London from the Gulf, one less now than the quota arranged in the 1972 Air Service Agreement between the UK authorities and the four Gulf State Governments—Bahrain, Qatar, Oman and the United Arab Emirates—which own the airline.

Consternation

However, the British Government, to the consternation of Gulf officials, has now given the necessary UK authorisation for flights by Laker, British Caledonian and Cathay Pacific as well as British Airways. This year, they will together fly 57 flights a week from the Gulf to London, with Boeing 747s which carry almost twice the capacity of Gulf Air's Lockheed TriStars—and with knock-down fares which are economic only because Gulf passengers are picked up on the stop over from the Far East.

Despite the impression sometimes given by local criticism of the British authorities, of course, they do not have jurisdiction to give or withhold Gulf landing rights. Finding a Gulf airport to service additional schedules, however, has not been a problem for new carriers like British Caledonian and Laker.

Huge international airports at Sharjah and Dubai were among the more celebrated white elephants of the Gulf's immediate post-1973 boom. They need all the aircraft traffic which they can find and have not been unduly disturbed, it appears, by the implications of their success with the British carriers.

In the face of this new traffic, Gulf Air simply cannot adjust to a more competitive fare schedule. Its costs are far too high for it to carry no-frills economy classes on international routes. This inflexibility is its third problem—the result of a rapid growth which transformed it between 1974 and 1980 from a small quasi-domestic airline into an international carrier and the second biggest airline in the region.

Gulf Air has a fleet of nine Boeing 737s and seven Lockheed TriStars, with an eighth to be delivered in November. But it has only limited maintenance facilities. Full checks on the 737s are made in Belgium while all TriStar work must be left to contractors in Hong Kong.

This position should be improved by 1984, when new facilities should be available in Abu Dhabi. These will be owned by the Gulf Aircraft Maintenance Company (GAMCO), in which Gulf Air and the Abu Dhabi Government have 40 per *cent and 60 per cent holdings*, respectively.

Sheikh Zayyid of Abu Dhabi has made a gift of land and buildings to the company worth \$53m. But until 1984 maintenance costs will remain very high and an important constraint on the scope for lower fares.

All of which amounts, as Mr. Al-Malki ruefully admits, to "a big problem." During the period of its most rapid growth, from 1975 to 1977, Gulf Air lost BD26m. A rigorous consolidation produced profits in 1978, 1979 *and last year*. But in the new circumstances, further heavy losses seem inevitable unless radical changes can be effected either in the airline or else in its regulatory environment.

Of the two, there is little doubt which goal the Bahrain authorities have in mind. Gulf Air itself anticipates a 15 per cent balance sheet growth this year and is still talking of an extension to its fleet with Boeing 676s or Airbuses, though the decision will not now be taken on this before 1982. There are no indications of any move to rethink the basic structure of the airline's routes.

There is every indication, on the other hand, of a vigorous counter-attack against the deregulation of air fares. A party to this will be Bahrain's own Civil Aviation Authority whose prime concern is the Bahrain Airport.

The Director of Civil Aviation, another new appointment last November, is Sheikh Hamed Al Khalifah. His principal worry over deregulation is that it *might* ultimately reduce the present number of airlines (26) using the airport. At BD 3m, landing fees are the major source of its revenues which last year totalled BD 6m and allowed the airport to break even on its current operating expenses. (Capital expenditure is paid for directly by the Government.)

Strong threat

The threat is particularly grave in view of the challenge already presented to Bahrain by the new airports of the region at Jeddah, Kuwait and Doha. To compete with these and to pursue its aim of closer links with new traffic in Africa and Asia, Bahrain has now embarked on a three-stage, 15-year expansion of its airport along the lines of a report submitted, in March, by British Airports International.

A 66-metre addition to the main terminal building should be finished by the end of 1981. The airport's traffic capacity will thereafter rise to 5m passengers a year. In 1980, it handled 3m, though its ageing facilities were originally designed for a 1.5m capacity.

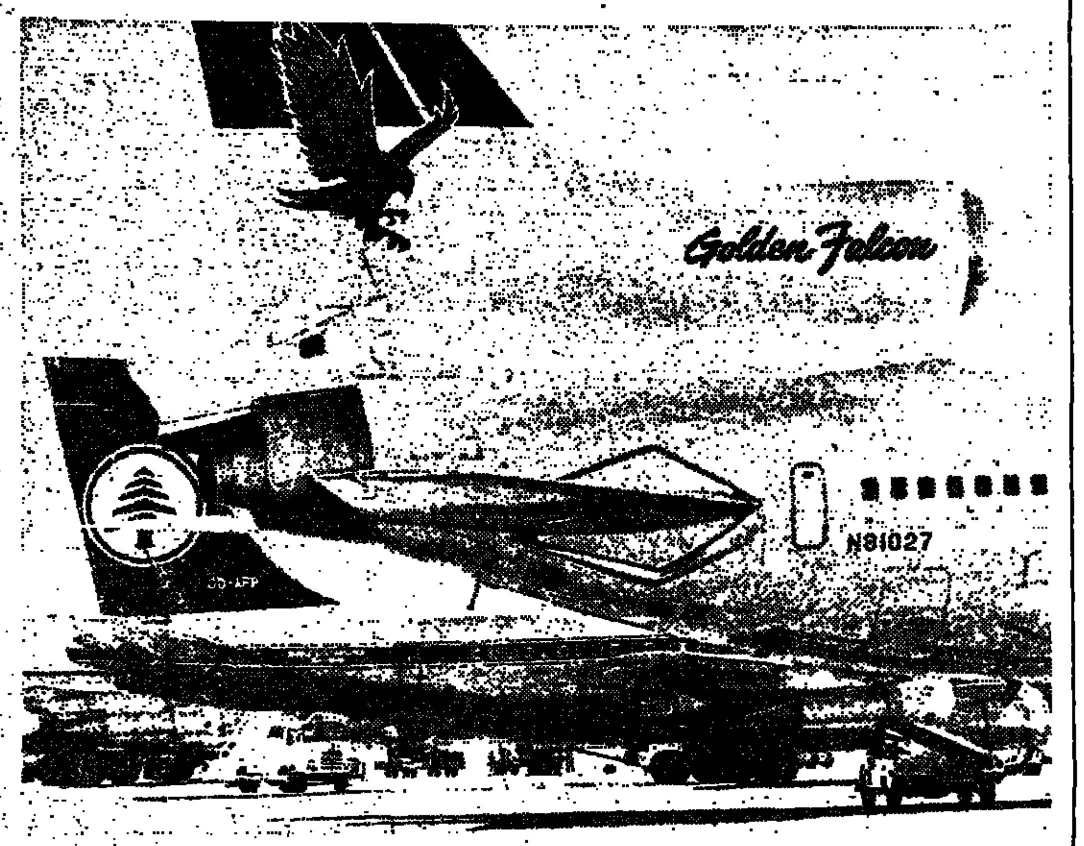
But Sheikh Hamed's concern over deregulation extends beyond its potentially destabilising effect on the Authority's plans. He points out that the health of Gulf Air is essential to the whole Middle East airline network and his Authority is fully prepared to take up the cudgels on its behalf.

The civil aviation authorities of Qatar and Oman have this year issued memoranda to their user airlines reminding them of their commitment to established tariff schedules. Bahrain is considering similar action, but first informal talks are to be held with the airlines to see if a gentlemen's agreement can be reached to halt the fares war.

"If they can reach it, we will fully support the agreement," says Sheikh Hamed. "If they cannot, we will have to interfere. We would take action in concert with our national carrier."

To help it bargain from a stronger position, the Bahrain Government is pursuing an agreement over air traffic at a political level with the other six *Gulf States. The airline's chairman and former chief executive* is the ubiquitous Mr Youssef Shirawi, the Minister for Planning and Industry, and he is evidently determined that a secure future for Gulf Air can be founded on a united stand by all four of its shareholder-governments.

However, in the absence of a UAE Aviation Authority — the Emirates have their own independently budgeted airport authorities—and in the face of powerful trends throughout the international industry, the outcome for Gulf Air of even the governments' efforts is by no means a foregone conclusion. The shareholders may yet have to face an uncomfortable choice between a smaller but profitable airline and a subsidised prestige flag-carrier.



Twenty-six airlines serve Bahrain International Airport; landing fees (BD 3m) are the major source of its revenue

ARRIVALS AND DEPARTURES

Air passengers to Bahrain in 1980 totalled 453,743, with 442,697 departures. By sea there were 53,061 arrivals and 54,963 departures. Figures for traffic by countries include the following:

Country	Departures by sea	Departures by air	Arrivals by sea	Arrivals by air
Saudi Arabia	41,458	113,519	44,378	108,105
Kuwait	59	42,116	89	40,372
Qatar	766	49,393	799	50,740
U A E	482	51,568	249	52,363
India	1,861	42,587	868	46,163
UK	98	36,222	94	36,254
Total European	342	53,087	345	54,980

Education

CONTINUED FROM PREVIOUS PAGE

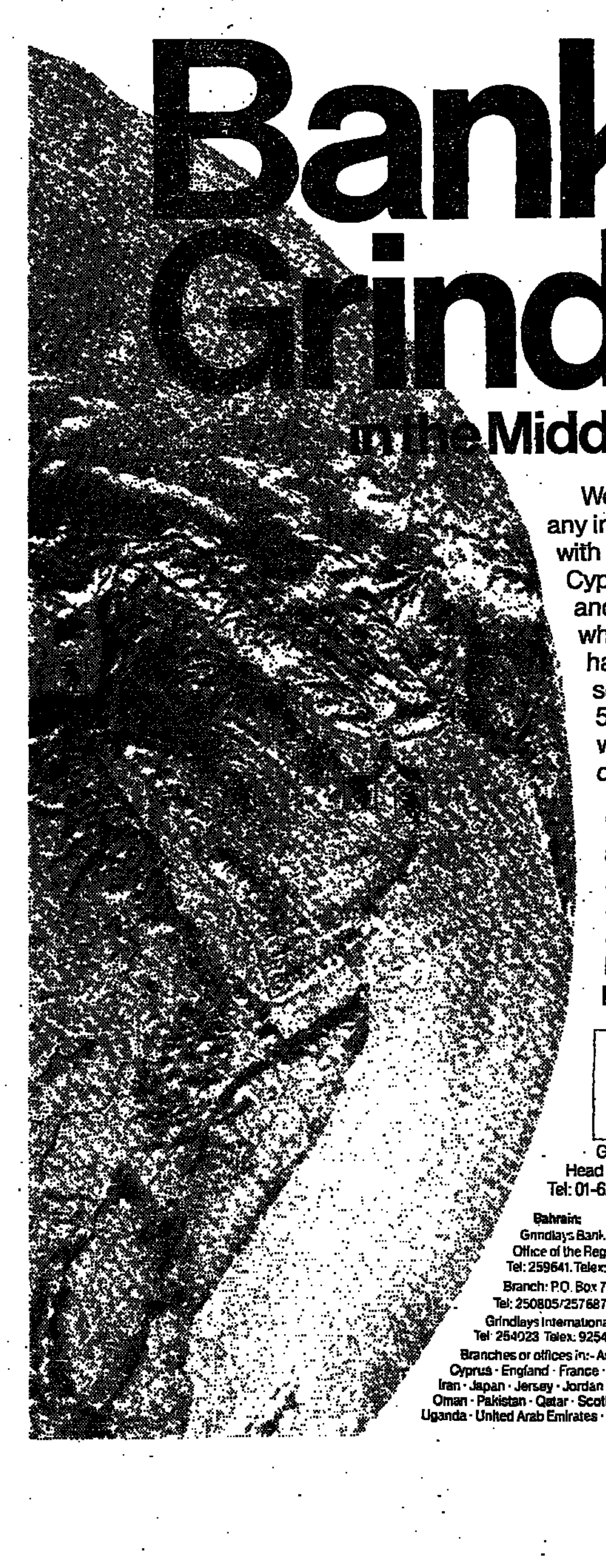
Rifai from Kuwait University, emphasises that the university will not in any way compete *with existing institutions in the* Gulf but will rather complement them, playing a special role in higher research areas needed by the Gulf states, such as in energy and arid zones technology.

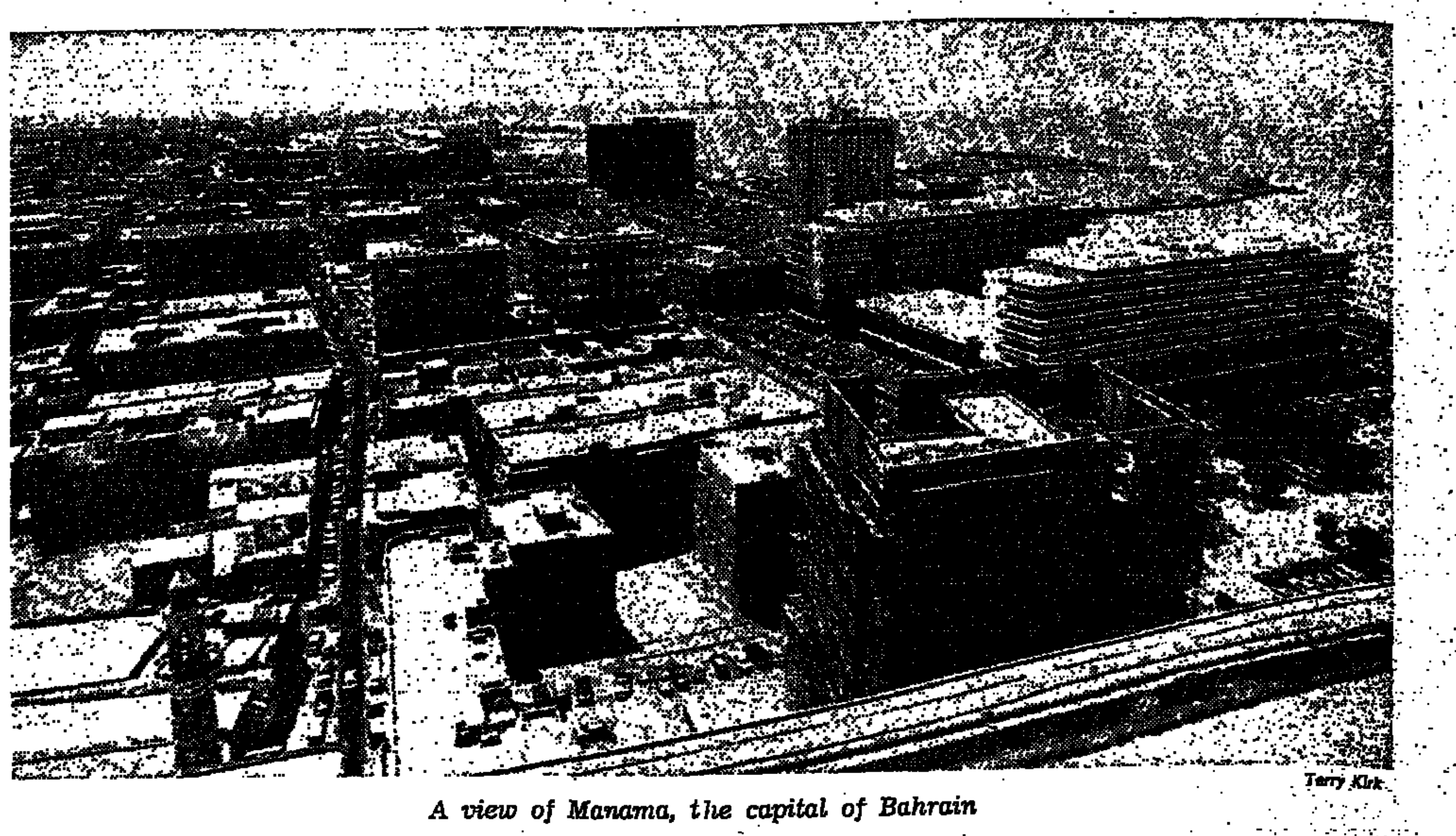
The Gulf University hopes to act as the region's think-tank and to offer the best research facilities in the area. Faculty staff salaries, it is intended, will be sufficiently high to attract the best from anywhere in the world.

"We want to attract some of the Arabs back—those who are *presently teaching* at the American and British universities. And to do that we must offer the kind of research facilities that they are used to there," says Dr. Rifai. Attractive pension schemes will also be offered so that professors do not regard the Gulf University merely as a two-year teaching stint.

Lavish buildings do not make a university, Dr Rifai adds. "We do not want to become a diploma mill. We want to become the highest research institution in the Gulf, *doing contract* research for Gulf organisations and companies, attracting private endowments eventually.

"In our university, a student will learn to become an independent thinker. It will be a place where the cross-currents of the Gulf meet. We want to be the academic trend-setters of the Gulf."





A view of Manama, the capital of Bahrain

Terry Kirk

Hoteliers seek to boost Arab regional tourism

THE TRAVEL INDUSTRY

KATHY EVANS

FIVE YEARS AGO, travel agents in Bahrain scoffed at the idea of tourism on the island. Now "the beer and bacon groups," as Gulf visitors are known locally, are taken more seriously. With 1,500 first class hotel beds already available and another 30 per cent increase coming within six months, Bahrain hoteliers are more than anxious that Arab regional tourism should get off the ground in an organised way.

So far, though, little has happened. Virtually the only company offering package tours from Bahrain's largest market, Saudi Arabia, is the British-run organisation Bahrain Explored. Set up in 1976 when a larger travel company on the island decided that incoming tours were so small as not to be worth bothering about, the company handles around 3,300 people a year, mostly from the Eastern Province where weekend packages are marketed through the Saudi Press.

For SR 755 ($225), a Saudi expatriate or national can fly in to Bahrain, have two nights at the local Hilton with breakfast, all airport transfers and a sightseeing tour thrown in. The packages are frequently tied in with appearances by international cabaret stars at Bahrain hotels. As an alternative on the return trip to Saudi, they offer a trip in a dhow with lunch and drinks provided on board—though the drinks have to be thrown over the side as soon as the dhow reaches Saudi Arabian territorial waters.

Potential

Such traffic could be prolific if it were not for certain factors outside Bahrain's control. The most important of these is the need for any expatriate wanting to leave Saudi Arabia, even for a quick weekend hop, to apply for an exit visa. This can take anything from two weeks to very much longer, even for the most experienced Saudis. (Aramco employees usually have to wait a month or more before their visas are processed). Weekend trips have therefore to be planned well in advance.

Travel circles and hoteliers in Bahrain feel two measures could considerably enhance the island's tourism prospects; first, an extension of the visa available at the airport — it lasts 72 hours and only British and Gulf citizens are presently exempted — and, second, a decrease in the air fare between Dhahran and Bahrain.

The limitation of the visa to 72 hours means that tourists usually leave before that period, and extensions take time and trouble. "It is a psychological barrier," remarked one hotelier. The air fare between the two destinations is BD 34, despite the fact that it is barely a 10-minute flight. Other routes within the Gulf have been reduced in price and the fare structure to Dhahran is far higher than any other inter-Gulf route.

Passing through

Arab regional tourism represents only a small percentage of the potential stop-over traffic which Bahrain could latch on to. Bahrain airport handles thousands of transit passengers every night. "Thousands of mums, dads and grannies on their way to Australia or the Far East," as one travel agent put it.

If these tourists could be encouraged to stop over a day or two longer and take tours around the island, local tourism could be considerably boosted. At the moment, only first class passengers on routes like UK-Australia are allowed a stop-off in Bahrain. Other travellers on fares such as an Apex ticket are charged a premium.

The prospects of Bahrain being integrated into tours of the whole Gulf area and Sri Lanka or other nearby winter tourist spots are still hampered by the high air fares prevailing between Europe and the Gulf. This could change with the trend towards deregulation of international fares — though the implications for Gulf Air, discussed elsewhere, may prompt successful local opposition.

In the long term, the future for Bahrain's hotel industry looks bright. Within five years, the causeway should be open to Saudi Arabia, making Bahrain a short car drive from the Eastern Province. Here again, though, the amount of traffic is likely to be strictly regulated by the Kingdom.

Saudi nationals in theory will be able to come over without any visa problems; but clearly the Saudi government will not relish the sight of thousands of its nationals pouring over the border each weekend to take advantage of Bahrain's liberal drink and entertainment laws.

In the immediate future, Bahrain hoteliers view their future gloomily and believe that with the additional first class rooms that are soon to come on to the market, occupancy rates could drop by 20 per cent. At the moment, it is hovering between 60 and 70 per cent.

No effort has been made so far to market the island as a holiday destination through the united front of a hotel association. Despite many attempts to form one, the hotels seem to prefer persisting with such competitive tactics as paying local taxi drivers to deposit guests at their front door.

Hotels are also desperately outbidding each other on entertainment attractions, paying out large sums for international stars which most admit are merely costly and usually loss-making forms of promotion.

Because of such trends, many believe legislation on hotel categorisation is needed. With the opening of the Sheraton and the Diplomat in the autumn, the number of rooms available any night in Bahrain will go above the 2,000 mark.

A number of the hotels are already burdened by financial problems. The Holiday Inn is hoping to sell half a million square feet of land from its property by the end of this year which will allow repayment of its expensive $16m Eurodollar loans. Net operating profits last year excluding depreciation and loan repayments, was around BD1m, up more than a third from the previous year.

Like the Holiday Inn, the owners of the Sheraton have found themselves paying more for the construction of their complex than originally envisaged. The cost of the hotel alone has reached $75m, which has been partially financed by international banks.

The Sheraton's future general manager, Mr. Carlo Perocchini, admits it is going to be tough entering an already saturated market, and says he will be happy with 30-35 per cent occupancy during the first year of operation and around 45 per cent in the next. The hotel is drawing up a package tour to be marketed in Dhahran and Doha to boost its weekend occupancy.

The older established hotels are not burdened by such capital repayment costs, having cashed in on the boom period of 1973-77. The 14-year old Delmon remains the island's most charming hotel, adorned by bric-a-brac picked up in the local souk by its long-term resident manager, Mr Neil Walker. The local Hilton will need to smooth out some operating problems if it is to remain in the race against its newly opened rival, the Regency, managed by Inter-continental.

The Regency's innovative manager, Mr. Patrick Baord, is busily planning a tour by the Ballet Rambert for his hotel—and has introduced evening jazz sessions in the bar.

Restaurants

For an island which is attempting to bill itself as an entertainment enclave in an area of dry states, Bahrain is surprisingly short on things to do for incoming visitors. There are few discos, no national theatre, no funfair for children or bowling alleys. It does however have some good and inexpensive restaurants. A meal for two in the popular Upstairs Downstairs restaurant can cost as little as BD 12.

Outward-bound tourism from Bahrain continues to prosper. Yusuf bin Ahmed Kanoo's package holiday division, which was only started four years ago, is now selling 10,000 holidays a year, mainly to Bangkok and other Far East destinations, the Seychelles and East Africa.

About 85 per cent of Kanoo's business is coming not from Bahrain but from their Dhahran headquarters and the Saudi Eastern Province area. So attractive have the prices become, in fact, that its holiday division believes British expatriates will spend less and less time in England on home leave. "Frankly England is too expensive for the British expatriate nowadays," said a spokesman for the company. "It is not even in our brochure."

Market more promising than ever

BUSINESS ENVIRONMENT

KATHY EVANS

OF ALL the Gulf markets, in Bahrain alone does Britain emerge on top of the import league table. It is a small cake admittedly, compared with other nearby markets, but in 1979, British exports notched up £123m worth of business, boosted somewhat by the order of aircraft engines for Gulf Air which went on Bahrain's books.

In 1980, Britain's 17 per cent share of the market slipped slightly with exports amounting last year to £116m.

Yet for its size—there are only 350,000 people in Bahrain —the market is a hungry one. There are more than 300 Rolls-Royces on the island, one for almost every 1,000 people. This year, the Bahrain market looks more promising than ever with the green light given to a number of industrial ventures such as the petrochemical plant and the iron and steel mill.

The Government's own capital expenditure this year is forecast at BD 156m ($421m) and though local contractors are expected to scoop up most of the housing contracts which account for the largest slice of the development budget, there are many opportunities for the international contractor especially in the field of power generation.

Like every other Gulf economy, Bahrain has witnessed slower economic growth since 1977. Zayyanis, agents for Mitsubishi, BMW and Chrysler reports that business is one-third of the level of 1976 and bad debts in the automobiles sector now total BD 1.5m ($4m). The same picture is reflected in the company's electronics division with sales only half of what they were five years ago.

But profit margins in this small volume market remain substantial: on many consumer goods they might be as much as 100 per cent. In some sectors, margins have been high enough to warrant some regulation by the Government. Some change may be imminent here with the prospect of the causeway on the horizon—in Saudi Arabia the volume is higher and margins are accordingly lower.

Many Bahrainis already feel the island is an adjunct to the Saudi market and much of their marketing is directed towards their neighbour rather than home demand. The causeway is bound to further accentuate the island's role as a service centre and listening post for Saudi Arabia though this development could yet be absorbed within Bahrain's more general role as a regional centre for pan-Arab institutions in manufacturing industry as well as banking, insurance and investment.

Setting up in Bahrain is expensive. A modest three-bedroomed flat will cost anything from BD 400-BD 600 a month and villas start at BD 800 ($2,160) a month. After a two-year slump in the *property market, local agents* are expecting increases of between 20 and 25 per cent over the next 12 months.

Accommodation is also going to be extremely difficult to find. Existing tenants are extending their leases and there are virtually no new units coming on to the market to take up the expected influx of residents accompanying new industries and banks, in addition to the causeway itself. Local property owners are still extracting themselves financially from the 1979 slump and with the slowdown in general trading, few have had the funds with which to build.

Rental

One estate agent said that if he had a whole villa complex on the market today, he would probably have no difficulty letting each house at BD 1,200 a month. "The trouble is that I don't have anything to let at all, and no prospect of anything coming up in future." In an island as small as Bahrain, the arrival of 100 extra expatriates — as occurred with the entry of the Japanese banks to the OBU market—can tighten the local property scene quite drastically.

On the other hand, Bahrain is certainly a less irritating market to enter than others where mammoth bureaucracies can slow up the most simple decisions. Furthermore the language of commerce is *English and it is likely that an* incoming businessman will be dealing with an Englishman or an English-educated Bahraini. Many local companies employ European managers as executives rather than Arab expatriates, who dominate the business communities in most other Middle Eastern centres.

Trading laws naturally favour the Bahrainis, and all trading agencies must be held by a Bahraini merchant registered at the Chamber of Commerce. Foreigners wishing to set up small businesses in Bahrain frequently get round this by setting up a company overseas and then registering a branch office in Bahrain.

All ordering and trading must be done through a Bahraini national. This may entail some risk for foreign partners, but the Commerce Ministry, say resident businessmen, have been fair in the past in dealing with disputes between foreigners and their local sponsors. Moreover, relationships between Bahraini merchants and their partners are generally marked by a good deal more harmony and mutual respect than is sometimes evident in some other parts of the region.

Margaret van Hattem reports that election-conscious Tories are considering ways to put the young unemployed to work

'National service' comes back into vogue

SOMEWHERE deep inside the Tory Party, a Good Idea is *struggling to be born.*

It seems to have started when someone, looking at the growing army of unemployed school leavers and the increasingly visible signs of national decline—decaying inner cities, the crumbling roads and canals, the neglected old age pensioners—wondered whether there were not some way of getting the problems to solve each other.

In recent months, the suggestion has caught on, and last month an Observer/NOP opinion poll showed that 84 per cent of the population support the idea in principle.

Tories, from the Prime Minister down, are increasingly concerned that the Government should be seen to Do Something.

As the *unemployment* figures edge towards 3m, they suspect Mr Michael Foot, the Opposition Leader, may be *right in* insisting that unemployment will eclipse most other issues at the next election. So pressure is mounting on the party's leaders to come up with an answer.

Senior Ministers have been discussing the options for some time. The Prime Minister appears to favour a national *social service* scheme, so long as it is not compulsory. Mr James Prior, the Employment Secretary, believes occupying the 16 to 18 year olds can be achieved largely by expanding existing programmes rather *than introducing* a new comprehensive scheme.

This seems to be the more likely outcome, because back-of-envelope calculations indicate that a nation-wide social service scheme could cost as *much* as £2bn to £3bn and the Treasury Ministers, while not yet directly involved in the talks, have made it clear that nothing like that amount of

RALF DAHRENDORF: compulsion needed

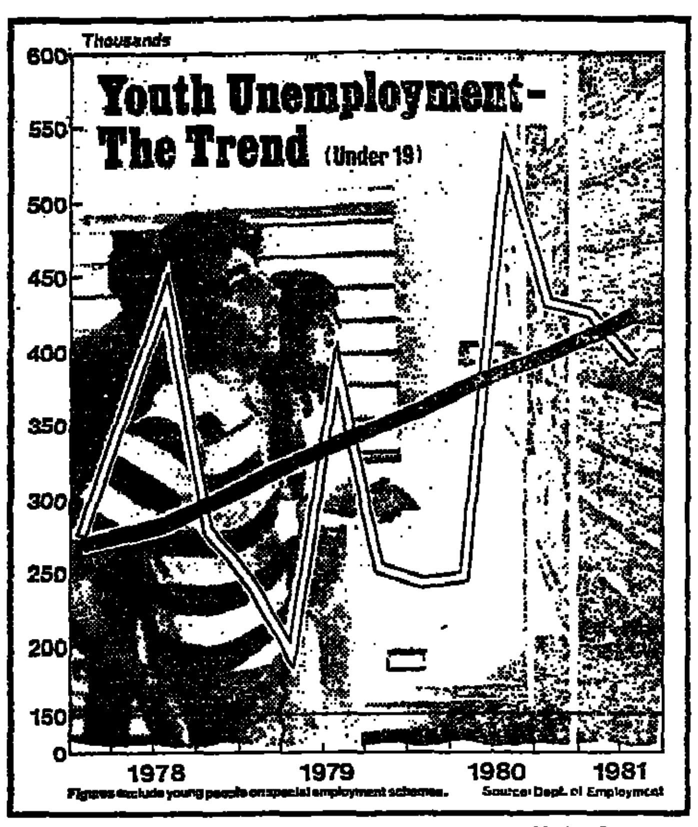
money is available. Nor do they appear impressed by arguments that in eliminating unemployment benefits, such a scheme would largely pay for itself.

However the debate is only *just beginning and it is far from* certain whether the emotional enthusiasm for a social service scheme modelled on the military national service of the 1950s can be channelled into supporting Mr Prior's more down-to-earth notions. Advocates of the different approaches are busily drawing up blueprints and cost estimates, and lobbying energetically among unions, industrialists and back benchers. The next step will be to start bending ministerial ears in the hope of influencing Government proposals, expected to *start coming out in mid July.*

Most of the ideas now being floated start from the same *point.* It seems to be generally accepted that there will, sooner or later, be around 3m unemployed and that the figure may stay near that level for some years; that at least one in six of the unemployed is aged 19 or less; that many of the 700,000 young people who will be coming on to the labour market each year will have *little or no vocational training;* and increasingly the demand *will be for technological skills* in the service sector, rather than craft skills in manufacturing.

No one is agreed, however, on how many of these problems can be tackled at once, and which should get priority. The most detailed of all the proposals so far appears to be that drawn up at the London School of Economics by Mr Enrico Colombatto, with an enthu*siastic foreword by* Professor Ralf Dahrendorf, the director of LSE. They give priority to the need to occupy young people and would defer further education programmes. The paper argues that to try to do both at once would be over-ambitious, and that it is highly doubtful that higher levels of education would make much impact on unemployment. *On the* contrary, they warn against encouraging ambitions which the labour market cannot yet fulfil.

The proposals envisage that, among other things, young people would garden, shop and cook for the elderly, baby-sit for working mothers, read to hospital patients, help schoolteachers with difficult pupils *or with school excursions, and so forth. This should be com*pulsory, they *say,* so that the scheme is not seen as a second-rate alternative to employment and it should be residential, in



Marion Sedgor

order to eliminate class distinctions.

They propose payment of £550 a year with food (£350 a year) and accommodation (largely in now vacant buildings, therefore of negligible cost) supplied by the beneficiaries, such as hospitals and local authorities. The total cost including administration would be £1,288 per placement per year.

Anticipating political difficulties, they insist that the scheme does not aim to discipline young people nor to provide cheap labour. "It has got to command the interest and respect of the young," Professor Dahrendorf adds. "It has got to make sense and be fun."

Critics of the LSE paper and similar schemes raise some of the following objections:

● Cost. The annual allowance of £550 is regarded as unrealistic when 16-year-olds are eligible for unemployment benefits of £16.50 a week and the Government's Youth Opportunities Programme pays £23.50 a week. The estimated food cost of £350 a year is also derided.

● Compulsion. Potential employers—in industry, hospitals or local authorities—have no wish to be saddled with unwilling recruits. Enforcement, for example by withholding unemployment benefits, could be *politically difficult.* The responsibility of placing 700,000 people appears unacceptably heavy.

● Job substitution. Good intentions cannot ensure that recruits are used only for "work which would not otherwise be done" and not to undercut union wage rates, or to cut across the efforts of the voluntary organisations.

● Administration. A national *scheme* would be prone to over-bureaucratisation and could not easily be adapted to use existing organisational structures, such as those of the voluntary organisations or established Government programmes such as the YOP.

● Training. The type of social work envisaged would be of *limited value* in equipping people for later employment.

Mr. Prior, who visited West Germany earlier this year and was deeply impressed by the country's youth programmes and liberal apprenticeship system, rejects the idea of compulsory schemes, such as the LSE one, in favour of *something more subtle.* Outlining his ideas to a Parliamentary Select Committee last month, he suggested that once the Government was able to guarantee a place—in education, training, employment or a Government *sponsored scheme*—to all 16 to 18 year olds, it might well withdraw unemployment benefits from this age group.

At the same time, it would seek to hold down the allowances paid to trainees and apprentices: young people were pricing themselves out of jobs, he said. In this he may have been influenced by the much greater wage differentials in West Germany, where final year apprentices get 40 per cent of the basic wage of the skilled workers, compared with 80 per cent in Britain.

JAMES PRIOR: more subtle

His influence is perceptible *behind two recent initiatives* which aim to channel public discussion along these lines. First, the consultative document A New Training Initiative published by the Manpower Services Commission last month, *focuses attention on Britain's* inadequate training facilities, outlines the work currently done by schemes such as the YOP and the Unified Vocational Preparation programme, and invites comment on how things should be improved.

The paper seeks to test opinion on several possibly contentious points, such as a relatively high contribution to training costs by employers; drastic reforms in the apprenticeship system to ease restrictions on entry and raise the standards; and bigger wage differentials between skilled workers and trainees.

On a second front, a group of five Tory back benchers close to Mr Prior, including his former junior minister Mr James Lester and Dr Keith Hampson, Parliamentary Private Secretary to the Local Government Minister, Mr Tom King, are working on a proposal in response to the consultative document. They are pressing for a reorganisation of the Manpower Services Commission, greater attention to standards in technical education and to the particular needs of regional labour markets, closer coordination with the Department of Education and Science, and reforms in the apprenticeship system. *They are putting their* ideas to union leaders, industrialists, local authorities and education authorities, whose backing would be useful when Mr Prior presents more definite proposals to his Cabinet *colleagues later this summer.*

So far, the Labour Opposition appears to be stranded on the sidelines. *Some Labour back* benchers are openly dismissive, regarding the initiatives as a Government attempt to disguise the unemployment figures, undercut wages and undermine the unions. Front bench opposition spokesmen, however, are well aware of the mine field ahead. Having identified unemployment as their trump card in the next election, they cannot afford to adopt too negative an attitude to Tory proposals without producing a convincing alternative of their own. They do not yet appear to have got very far.

Letters to the Editor

Grants for the service sector

From the Director, Merseyside Chamber of Commerce and Industry

Sir,—It is of interest to observe how writers to your *correspondence columns* are beginning to recognise the importance of the service sector in the wealth-creating process, the letter from the director general of the Institute of Directors (May 6) being one of the latest.

On Merseyside, because of its historic association with the second port in the land, much of our industry is service-orientated and we have been anxious to know how grants to manufacturing and service industries relate to one another.

Readers may be interested to learn that in response to a series of questions raised by Barry Porter, MP, Mr. John MacGregor, MP, Under-Secretary of State for Industry, advised that the regional development grant paid to manufacturing industry in the Merseyside special development area in 1980-81 is provisionally estimated at £83.89m (excluding any part of the global grant paid to Ford Motor); while discretionary grants made under the Industry Act, 1972, to companies in the service sector amounted to £7.28m only over the same period.

It is disappointing that there has been a failure to develop a satisfactory grant structure for *the service sector* which has shown a growth of 2.4 per cent in employment nationally in the period 1977 to June, 1980, against a fall of 6.9 per cent in the manufacturing sector over the same period.

H. M. P. Robinson.
1, Old Hall Street, Liverpool.

Promotion of exports

From Mr A Whysall

Sir, — The souring feud between civil servants and their employers, the Government, both paid for at the end of the day by exports, have slyly ignored those elements of the foreign service who will benefit not one jet from this row and yet are the ones who do most in the official promotion of Britain's exports.

Commercial officers employed by the Foreign Office to work *in the embassies* and overseas posts are invariably appointed from locally resident personnel, sometimes of British origin and sometimes not. Commercial officers are in the main the bulwark of Britain's official commercial effort in overseas market places, dealing with a wide range of practical matters of help and assistance *to the* exporter. It would not be unusual for a good commercial officer to know more *about* what was happening in the market place in his particular commodity group than the established civil servants of higher grade.

Commercial officers, not being civil servants in the established sense are therefore not eligible for *membership* of the civil service trade unions. If these men and women resorted to protest of a similar sort and publicly, they would be dismissed without redress. The Foreign Office cuts of 18 months ago showed how *vulnerable* they were to surgery without complaint.

Those civil servants determined to continue campaigning should spare a thought for *commercial officers for whom there* is no protection of their pay and conditions of service and the British exporters should give thought that if these people were to embark on similar arguments they could *do untold* damage to not *only* loss of export effort but more important, to our prestige overseas which they do so much to maintain.

A. J. Whysall.
Wyvern Export Marketing, Marlborough House, Cranmer Street, Nottingham.

The Queen's Flight

From Mr C. Bryan.

Sir,—The Air League—whose aim is to further the interests of British aviation — seems to be offering a rather static idea in its proposal (May 26) to replace the Andovers of the Queen's Flight with a brace of BAC One-Elevens.

Instead of foisting the last of *this very fine* but now technically redundant aircraft on to the Royal Air Force, it would surely aid British aviation to a much larger extent for the new aircraft to be the new 146.

One of the fundamental *design criteria for the 146 is as* a replacement for the Andover and its commercial equivalents, the HS 748, Fokker F 27 and the Handley Page Herald. A Royal Air Force order would therefore give a solid sales lift in this market.

The 146 is also an ideal size for a large corporate aircraft. And given its four-engine safety, it would need only additional fuel capacity, some increased take-off weight and a specialised interior to make it a strong contender in the growing market for a long-range business aircraft.

Cyril Bryan.
16, Drayton Gardens, SW10.

The value of audits

From Mr H. Harrison

Sir,—I note with interest Mr John Brodrick's letter (May 27) *wherein he states* "It should not be overlooked that an audit is of virtually no value to the small company since it does not yield operationally useful information."

If the audit to which Mr Brodrick refers is completed a considerable length of time after the end of his financial year, then *I can agree that it* would serve of little value to him. His accounts, however, *should be prepared* sooner to ascertain the profitability or otherwise of his company. In *fact, he should* consult his auditor whom I assume is also his accountant more often and request at least quarterly financial statements of account which should be up-to-date and, when prepared, should be discussed immediately and any advice given by the accountant, acted upon.

By this means, *although the* accounts will still, of course, indicate what the profit has been *the discussion with the* accountant and the close liaison with him will give expert guidance *as to what* the profit will be having taken into account future trends relating to inflation, cash flow and other matters affecting particularly the small company. Then, and only then, will *Mr Brodrick* realise that the audit and the management accounts are indeed of value to the small company.

H. Norman Harrison.
128 Prince George Avenue, Southgate, N14.

The advent of channel four

From Mr M. Shelmerdine

Sir,—I was interested to read Arthur Sandles' article (May 28) "ITV companies fear early advent of channel four." It was not too long ago that the ITV companies were insisting that they should control and run the whole of the fourth channel as ITV 2 *and they presented* a very strong lobby opposing firstly the Open Broadcasting Authority and then the subsequent proposals which culminated in the fourth channel being established as a subsi*diary of the Independent Broad*casting Authority.

It is a remarkable U-turn that some of the companies are claiming they cannot afford the subscriptions even though they will be selling advertising time *on behalf of the fourth channel* and supplying a significant proportion of the programmes. This is being stated against the background of the proliferation of additional TV broadcasting ranging from subscription TV *over cable (as licensed by the* Home Office in 11 pilot schemes) to the recent recommendation in the Home Office's report "Direct broadcasting by satellite" that there should be an early but modest start to *DBS services. It seems very* short-sighted that the ITV companies should be reluctant to participate substantially in a national commercial TV channel which is being handed to them on a plate.

*Independent programme pro*ducers are gearing up to supply their share of the fourth channel's programme requirements. They are surprised that the ITV companies, with their monopoly franchises, should be *turning down the opportunity to* expand. Wearing my other hat as chairman of a new public limited company set up to operate pay TV, I would love to get access to the fourth channel for an over-the-air pay TV ser*vice, even for a few hours a* day.

M. E. A. Shelmerdine,
London Film Productions, 37 Bedford Street, WC2.

New technology in the office

From the Director-Secretary, Office Machines and Equipment Federation

Sir,—Alan Cane's report on word processors (May 27) touched on a number of interesting problems associated with the impact of new technology on office equipment. Obviously, customers want to buy the *equipment which most closely* meets their particular requirements at a price they can afford. Quite rightly, they will not accept technical jargon or salesman's gobbledegook, but wish to identify that which distinguishes one piece of equipment from the confusingly vast range available.

The manufacturer and dealer members of this federation are in the business of solving office problems. They endeavour to identify customer requirements and to show how the equipment can meet and satisfy those requirements. Customers are encouraged to offer samples of their routine work to evaluate how the new equipment can cope compared *to rival machines* and to their traditional operating methods.

The federation, on behalf of *the trade,* has long been aware that the provision of the highest standard of customer support services is essential and our new word processing, micro and mini computer members are no less committed to this aim than were our founder members, the manual typewriter technicians, some 60 years ago.

S. E. Wood-Higgs.
16 Wood Street, Kingston-upon-Thames, Surrey.

Insecurity of tenure

From Mr L. Burrows.

Sir, — A few points need to be made in response to the Small Landlords' Association letter (May 29). If there is to be a renewed debate on the issue of private letting, we ought to be clear as to what Mr. Cutting's organisation actually wants.

Higher rents and a further undermining of security of tenure are generalities a million miles away from the practical effects such policies would have on people's lives. Apart from the burden of having to pay high rent levels once in a *tenancy,* their existence makes access extremely difficult; as agency fees, deposits and rent in advance, when added together can easily amount to a considerable sum of money, which many would-be private tenants can ill-afford. Insecurity of tenure, the other strand of Mr Cutting's policy, is a scandalous concept, and diametrically opposed to what tenants actually need. Even those tenants who are mobile want to move on when their own circumstances require a move — not when they are forced to move according to an arbitrary date. It is absurd for the Government to have recently enacted the basic principle of security of tenure for council tenants and then to introduce insecurity of tenure for private tenants. Retrogressive policies in the private rented sector are no substitute for an adequate house building programme, and the argument that accommodation at any price is better than no accommodation at all is despicable — *wrong in principle,* and injurious in practice.

Insecurity means that a tenant is effectively prohibited from enforcing his rights for fear of eviction or non-renewal of his tenancy. If the Government is seriously considerably a further erosion of private tenancy rights so soon after the 1980 Housing Act then let the proposals be openly made avail*able for discussion — and for* his part Mr. Cutting should tell us how much per week his market rents would be, and let us know how short a period of security he feels a private tenant should have.

L. A. Burrows.
(Research Officer)
Shelter,
157, Waterloo Road, SE1.

Today's Events

GENERAL

UK: UK official reserves (May).

Capital issues and redemptions (May).

Burmah Oil—Bank of England High Court hearing opens in London.

Aslef conference begins, London.

Three rail unions meet on cuts in services.

Joint Liberal—Social Democrat meeting to discuss Warrington parliamentary seat.

The Queen Mother launches HMS Ark Royal, Swan Hunter *Wallsend yard, Tyneside.*

Dr Robert Runcie, Archbishop of Canterbury, starts four-day visit to Northern Ireland and the Republic.

Mr. Cecil Parkinson, Minister for Trade, begins two-day tour of Nottingham.

Mrs Shirley Williams, member *of Social Democratic Party* leadership, in debate on "What other ways to a new kind of politics," Caxton Hall, London.

Overseas: International Air Transport Association begins two-day special meeting in *Geneva on air fares and costs.*

Further talks between France's Socialist and Communist parties, Paris.

PARLIAMENTARY BUSINESS

House of Commons: Remaining stages of British Nationality Bill (first day).

House of Lords: Local Government (Miscellaneous Provisions) (Scotland) Bill, report. Insurance Companies Bill, report. Food and Drugs (Amendment) Bill committee.

Select Committee: Social services. Subject: Government expenditure on the social services. Witness: Mr. Patrick Jenkin, Social Services Secretary, room 16, 4.30 pm.

COMPANY MEETINGS

Barrow Hepburn, *Connaught Rooms,* Great Queen Street, WC, 11.30. James Beattie, 71 Victoria Street, Wolverhampton, 2.30. Beaufort Group, George Hotel, Huddersfield, 12. Bunzl Pulp and Paper, Great Eastern Hotel, EC, 11.30. Horace Cory, 17 Southampton Place, WC, 12. Gill and Duffus, Baltic Exchange, EC, 12. Grattan Warehouses, Norfolk Gardens Hotel, Bradford, 12. Low and Bonar, Bonar House, Dundee, 12. Willis Faber, 10 Trinity Square, EC, 12.

Dunlop lower so far

Dunlop has started the current year "with little reliable sign of any recovery of the level of demand in Europe," the chairman Sir Campbell Fraser said at the annual meeting yesterday.

Trading has improved since the start of the year, but even though Dunlop's companies overseas continue to trade well, profits so far this year are below those for the corresponding part of 1980, when the UK recession had not yet begun to bite hard. It was the combination of early indications for this year with the 1980 results which had led the Board to recommend a cut in the final dividend.

Sir Campbell assessed the union between Dunlop and Pirelli, which is now being disentangled. He said that much had been gained from the 10 years of co-operation which it was impossible to value in monetary terms. There were "few Pirelli factories that have not benefited from Dunlop knowledge, or Dunlop factories that have not gained from Pirelli." But the excess cash flows from Dunlop to Pirelli, now to be repaid, amounted to about £22m.

Dunlop believes that between 28 and 30 per cent of its shares are now held in the Far East. In a number of cases it has proved impossible to discover the beneficial owners. Sir Campbell understood that the Board of Trade was still actively reviewing the matter. He thought it was undesirable for a company to be unable to discover the beneficial ownership of substantial shareholdings.

THIRD MILE INVEST. CO.

Profit of the Third Mile Investment Company for 1980 improved from £63,203 to £124,800 after a tax credit of £11,679, compared with a charge of £38,512. Turnover was marginally higher at £779,233, against £763,934.

Stated earnings per 25p share increased to 4.89p (2.31p) and a final dividend of 0.875 (0.7p) brings the net total up to 1.575p (1.225p).

At the attributable level profits were £117,519 (£55,390).

Lesney losses more than trebled

PRE-TAX losses of Lesney Products & Co., toy manufacturer, were more than trebled at £10.9m for the year to January 25, 1981, against £3.6m previously, on turnover down from £106.7m to £90.1m. At halftime, the company reported a reversal from a profit of £0.5m to a deficit before tax of £5.95m.

The full year deficit is attributed principally to: trading losses of discontinued operations; interest to fund exceptionally high working capital for much of the year; abnormal spare capacity, aggravated by high opening stocks equivalent to some six months production; and disposal of obsolete and excess stocks.

Commenting on the results, Mr Gordon Hay, the chairman, says the rate of loss was substantially reduced by the year end and continued to lessen. "There is still much to be done, but we are on course towards our objective of a return to profitability."

There is no dividend for the year. Last time, an interim of 1.232p net was paid but the final was omitted.

Interest charge rose from £5.6m to £6.8m for the year. After a tax credit last time of £1m and extraordinary debits of £6.7m (£1.4m) there was a deficit of £17.6m, compared with £4m. The extraordinary items included a one-off provision for losses on disposal of assets, redundancy and overall group reorganisation.

During the year, borrowings were reduced from £42.6m to £26.4m. Shareholders' funds totalled £21.3m (£39.3m).

In the period stocks were reduced by more than half (from a 2.6 stock-turn to 4.7) and UK manufacturing/warehousing capacity was halved. Debtors were cut by 47 per cent to £13.8m, while creditors were reduced to "acceptable" levels. At balance date, creditors and provisions amounted to £11.2m (£17m).

Lesney reduced worldwide employees from 9,213 to 5,470 (increasing sales per employee by 42 per cent from £11,585 to £16,464) and capital expenditure controls were introduced.

Surplus land and buildings in the UK, Singapore, Australia and Canada were released for sale. Realisation of assets sold subsequently or held for disposal in the current year is expected to further reduce borrowings substantially.

Negotiations are complete for all major banking facilities for the next 12 months, and Lesney's bankers continue to give full support.

The group's UK properties have been revalued and the resultant net surplus of £1.3m has been credited to reserves.

Net assets per 5p share at the year end had fallen from 116.3p to 62.7p.

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DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Barlows	4	July 9	4	4	4
Lesney Products	Nil	—	Nil	Nil	1.23
Martin the Newsagnt. int	3.96	July 3	3.6	—	9.35
Sangers	Nil	—	4.58	1.8	6.38
Third Mile Inv.	0.88	—	0.7	1.58	1.23
Transparent Paper	0.1	—	3.79	0.1	5.76
Wettern Brothers	Nil	—	3.15	Nil	5.21

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues.

Savoy looks to broaden its base overseas

THE Savoy Hotel group, which is fighting a £67m bid from Trusthouse Forte, is considering hotel acquisitions in North America.

Giving the news to over 200 shareholders at yesterday's annual meeting at the Savoy Hotel, Sir Hugh Wontner, the chairman, also revealed that the group was in the final stages of negotiating with a buyer who had offered £7.25m for the Savoy property known as Savoy Court, which fronts the Strand.

Sir Hugh told shareholders that for the future it may be wise to extend the group's interests abroad. "We are looking at various propositions, but this time to include North America, where we have at least one most important and very successful enterprise offered to us," he said.

Making it clear that any move would be in the hotel field, the chairman said it was "important not to go outside the business we know." In his first reference to THF at the meeting, Sir Hugh said "we prefer to take the initiative ourselves, as we have always done, and not to form part of someone else's conglomerate and become a tiny part of an empire with which we have practically nothing in common."

Questioned later about the method of financing the overseas acquisitions, Sir Hugh said that this would probably be done by way of a share exchange.

Sir Hugh said that under the deal to sell part of the group on a long leasehold for redevelopment as offices and apartments the Savoy would have a 20 per cent interest in the development guaranteed at not less than £1m.

He said there were a number of advantages of the scheme to sell the building. It would enable borrowings to be repaid giving a total saving in annual interest of more than £1m, and reduce other costs and expenses.

The meeting was overwhelmingly behind the board's fight to remain independent (reflected in occasional outbursts of applause) but there were a few critics of the group's performance among the dozen or so questioners.

Mr Gerald Milson, a Colchester hotel and restaurant owner, said that the directors had made excuses all along the way for the group's poor results and he felt that the time had come for the board to be changed.

Speaking directly to the directors at the front of the meeting Mr Milson said "they are eminent people but they are short of knowledge of making profits in our industry and long in years."

He was against the company being taken over by THF but said "it was time for a change in its leadership." He said the board should be replaced with people of proven accomplishment to make the capital work.

Sir Hugh, 72, replied that he was all in favour of younger people and did not intend to remain chairman himself for "very much longer."

But he strongly defended the group's profit record. He said, "We go back to 1890 and there have only been four years in which the company has made a loss. There is no better record in the hotel industry anywhere in Europe."

Commenting on the future, Sir Hugh told shareholders "with the renewal of optimism in the U.S., and with the end of the recession when it comes, we are confident that the company's hotels and restaurants in London will return at once to prosperity."

The chairman pointed out that in the last five years the group had spent more than £20m on improvements or maintenance—"an act of faith and perhaps I may say of courage."

Sir Hugh said later yesterday that he had "no doubt we shall succeed" in resisting the THF bid. "I know they know this too," he added.

Tomorrow is the first closing date of the offer. THF controls just over 33 per cent of the votes of the Savoy group. On Friday THF purchased a further 40,000 of the low voting "A" ordinary shares at the cash bid price of 190p. The shares remained at this level yesterday.

16% midterm improvement at Martin the Newsagent

TAXABLE PROFITS of Martin the Newsagent advanced 16 per cent to £2.41m in the six months to March 29 1981. This compares with £2.07m for the corresponding period and £3.22m for the last full year.

First half earnings per 25p share rose from 26p to 28.8p and the net interim dividend is stepped up from 3.6p to 3.96p. Last year's total payment was 9.35p.

Excluding VAT, sales for the half year increased by 12 per cent from £49.22m to £55m. The pre-tax profit was struck after interest of £204,000 (£182,000) and depreciation of £561,000 (£462,000), but included investment income of £36,000 (£16,000).

Tax took £510,000 (£375,000) and there were extraordinary credits of £11,000 (£285,000), comprising profits on the sale of fixed assets £56,000 (£285,000) less costs of recreating the company's corporate identity £45,000 (nil).

Ordinary dividends cost £260,000 (£235,000) and the retained balance amounted to £1.64m (£1.74m).

● comment

At first glance Martin the Newsagent appears to have done better in its first half than NSS, which reported a 10.5 per cent pre-tax rise a few weeks ago. But once last year's relocation costs £175,000 in the first half of 1979-1980) are considered, the actual interim rise is 7.6 per cent. Nevertheless, Martin is ploughing along in difficult circumstances, getting rid of uneconomic CTN shops and finding a healthier sales mix which is based on higher newspaper than tobacco sales. The group is also placing emphasis on larger High Street locations for its outlets. Given these moves, the group should be able to achieve around £3.6m to £3.7m pre-tax this year, suggesting a fully taxed p/e of 8.8. At 240p, up 8p yesterday, the shares could yield a little above 6 per cent, assuming the final dividend is increased by 10 per cent.

W. Runciman hopeful of showing growth for year

MR W. G. Runciman, the chairman of Walter Runciman, the shipping and freight agent, says 1981 has not been an easy year so far, in his statement with the company's 1980 report and accounts.

The shipping division has been affected both by industrial action taken against selected British ships by the National Union of Seamen and by a dockworkers dispute in the port of Leith, he says.

The severe recession in manufacturing industry is now having its inevitable effect on the security division, he states, and despite improvement in productivity John Tann Security is likely to show a loss.

The insurance division's results will reflect the outcome of the 1978 Lloyd's underwriting year which was once again less profitable than the year preceding it.

However, he says, the company is continuing to invest in those areas of business where it can see the prospect of future growth, not only in shipowning and safemaking but also in warehousing and in the microprocessor-based equipment currently being developed and marketed by Tann-Synchronome.

"If recovery from the general recession is fully under way by the last quarter of the year, pretax profits for 1981 could be materially higher than those for 1980. If it is not, 1981's results are likely to be similar to 1980's," he concludes.

As reported on May 20 the group pre-tax profit climbed in 1980 from £732,491 to £2.53m on turnover of £47.1m (£42.76m). Current cost adjustments reduced this profit to £1.32m.

At December 31 shareholders' funds stood at £12.01m (£10.6m).

Meeting, 52, Leadenhall Street, EC, June 23, noon.

Transparent Paper dives to £0.15m

TAXABLE PROFITS of Transparent Paper slumped in the 12 months to March 28 1981, from £1.02m to £146,121 although turnover improved by £3.74m to £36m. At midterm profits were down to £141,000, compared with £406,000.

The directors have declared a nominal 0.1p final dividend, having passed the interim payment. Last year dividends totalling 5.7568p net were paid.

The surplus was struck after depreciation of £1.07m (£1m).

Tax took £142,688 (£178,882) leaving the net balance down from £839,156 to £3,433.

The company is a manufacturer and converter of transparent cellulose wrappings.

Exeter Building to seek quote on USM

Exeter Building and Construction plans to seek a quotation shortly on the Unlisted Securities Market by way of a placing of existing shares.

The company's shares have been traded under Stock Exchange Rule 163 (2) since last June. Profits in 1980 grew 28 per cent to £725,000 before tax, and the company made a three-for-four scrip issue when announcing its results last month.

The thinly traded shares rose sharply from 95p to 178p on Friday following Press speculation about the USM placing and the company's prospects. Mr David Stoneman, chairman, said yesterday that the move to the USM would come some time this summer and that no profit forecast would be offered.

The shares eased yesterday to 140p.

May record month for new money

A record monthly total of £420.9m in new money was raised in the UK in May by the issue of marketable securities.

About two thirds of the total, £277.3m, was raised in six issues for use overseas. Three "bulldog" issues of loan stock raised over £188m and two investment trusts, Vanbrugh Currency Fund and Energy Resources and Services, accounted for the bulk of the remainder.

There were 20 company issues, raising £227.5m, 15 of which were rights issues raising a total of £138.4m. Six local authorities raised £5.3m in May.

The total money raised in May compares with £198.4m in April and only £32.8m in May, 1980. In the five months to date in 1981, a total of £1,187.3m has been raised.

Ultramar sees good 12 months

The first four months of 1981 saw a continuation of last year's favourable trend of Ultramar Company, Mr. Arnold Lorbeer, chairman of the oil and gas group, told shareholders at the annual meeting.

The current year would be another good one — the first quarter surplus was up £10.5m at £42m—but it might be difficult to surpass the profit achieved in 1980, the best year in the group's history.

The oil industry seemed to be in a slump, Mr. Lorbeer said, with falling demand leading to excess supplies and lower prices. Term purchase contracts for crude oil, from which the group covered much of its requirements, were no longer competitive with spot market prices.

However, Ultramar was cushioned from the effects of this and new taxes which had cut into profits by its Indonesian gas production and strong financial position.

Monsanto UK losses rise

The downturn in the UK economy, combined with the current European recession on synthetic fibre producers and the high value of sterling resulted in Monsanto, a wholly-owned British subsidiary of Monsanto Company of the U.S., incurring a bigger loss for 1980.

With sales down from £256m to £233m the net deficit emerged £8.8m larger at £29.5m.

The directors point out that reduced sales volumes had a serious effect on prices, particularly for acrylonitrile and downstream products.

However, they say that since the beginning of 1981, production volumes have increased in some product areas and selective price increases are being put in place to improve margins.

Exports for the year totalled £69m (£80.5m) and accounted for some 30 per cent of total turnover.

SPAIN

May 29	Price %	+ or −
Banco Bilbao	305	+3
Banco Central	358	+3
Banco Exterior	292	
Banco Hispano	282	
Banco Ind. Cat.	123	
Banco Santander	337	+7
Banco Urquijo	185	
Banco Vizcaya	322	+3
Banco Zaragoza	232	+2
Dragados	177	−3
Espanola Zinc	80	+0.5
Fecsa	68	
Gal. Preciados	49	
Hidrola	72.7	+1.0
Iberduero	59.5	−0.5
Petroleos	113	+1.3
Petroliber	93	
Sogefisa	71	
Telefonica	67	+1.5
Union Elect.	72.5	+0.5

BIDS AND DEALS

Why Allianz decided to go for Eagle Star

IF A MAJOR overseas insurance group wants to establish quickly a significant presence in the UK, the only realistic way is to link up with an established UK insurance operation. This is the argument put forward by Allianz Versicherungs — AG, Europe's largest non-life insurance group to acquire a 29.9 per cent stake in Eagle Star Holdings, through a spectacular dawn raid yesterday and today's tender offer. Because Eagle Star with funds over £2bn is by far the largest UK orientated of the home based composites.

Last year Eagle Star and a total premium incomes worldwide of £442.5m of which £349.4m (79 per cent) arose from the UK and Republic of Ireland.

The group has insurance operations in many other overseas territories — South Africa, Belgium, Australia and the U.S. being the most significant. But individually, these operations are quite small besides the UK and Irish business.

Premium income from South Africa, where it is the largest general insurer, was only £36.2m last year, while its premium income in the U.S. was only £5.8m.

But Allianz in its world-wide expansion programme of the past five years has already established a strong presence in the U.S., with minor presences in South Africa and Australia. In addition, Allianz has been expanding its European operations, particularly in Austria. Eagle Star has a presence in Belgium a country which Allianz has weak representation.

Thus Allianz's claim that Eagle Star's pattern of business fits in well with its own is borne out by the figures. But the comparison does not end there.

Eagle Star has by far the largest employers liability portfolio in the UK and is the third or fourth largest motor insurer in the UK, with significant household and engineering insurance portfolios. Allianz is dominant in the West German motor, liability and engineering insurance markets.

Allianz has realised that co-operation with Eagle Star would be a logical way to establish a UK presence beyond the presence small operation dealing with the London commercial market through the agency of leading insurance brokers Willis Faber.

But Sir Denis Mountain, Eagle Star's chairman, feels that the benefits of co-operation would all be one way, in favour of Allianz.

The group was founded by his grandfather and Sir Denis is the third Mountain to hold the position of chairman and it has no desire at present to expand operations in Europe, particularly West Germany. He feels that conditions are most unfavourable.

Eagle Star has a large life and pensions operation with this side of the business contributing £11.8m of the £65.9m pre-tax profit in 1980. Long-term funds now amount to £1.36bn, making the group a major life assurance company in its own right.

The unusual feature of Eagle Star Holdings is that it has a large non-insurance operation—Grovewood Securities.

This is an industrial holding operation covering such diverse activities as engineering, builders' merchants, scientific instruments and motor distributors, and it owns the major motor-racing circuit Brands Hatch. This is worth nearly £100m and Sir Denis states that the true worth of these operations is not reflected in Allianz's terms.

Eagle Star Holdings itself is no stranger to recent takeovers which have aroused a certain amount of controversy. It has acquired English Property Corporation and Bernard Sunley Investment Trust, both property companies, thereby giving the portfolios and the life funds and shareholders funds a higher than average proportion in property.

The nucleus of Europe's largest insurance group

Eric Short and Kevin Done take a detailed look at Eagle Star an d the company involved in yesterday's dawn raid Allianz Versicherungs

Allianz Versicherung, founded in 1890, is the nucleus of the largest European insurance group. It has been expanding fast in foreign markets in recent years but before this week's bid for a substantial minority shareholding in Eagle Star it has been relatively under-represented in the UK market.

It has an all-pervasive presence in the West German market controlling around 20 per cent of direct domestic insurance. It is linked in mutual cross-holdings of 25 per cent with Munchener Ruck, the world's largest re-insurance company, and together the two companies form the largest insurance grouping in the world.

In the market the two companies hold two separate identities with Allianz active in direct insurance and Munchener Ruck in re-insurance. Together, however, the two companies have majority holdings in leading insurance companies operating in life insurance. Allianz Leben where each holds 45.96 per cent, in health insurance. DKV or Deutsche Krankenversicherung where each holds 26.5 per cent, and in credit insurance, Hermes where Allianz holds 25.2 per cent and Munchener Ruck 50.5 per cent.

Allianz already has a stake in Commercial Union, holding more than 1 per cent of CU's stock, while CU holds around 5 per cent of Allianz. These interests which are mirrored between CU and Münchener Rück, came about as pure investment interests several years ago in response to changes in German corporate law. Earlier Allianz and Münchener Rück had held cross shareholdings of 30 per cent but these had to be reduced for legal reasons to 25 per cent.

The Allianz group had a gross premium income of DM 11.6bn last year, an increase of 10.3 per cent on 1979, and in this total its foreign interests are playing an increasingly important role. Life insurance accounted for DM 4.1bn.

Insurance activities outside the Federal Republic brought a premium income of DM 1.4bn in 1980, an increase of 28.5 per cent, and a growth rate far in excess of domestic expansion. A far bigger step forward was registered in 1979, when the takeover of the life insurance companies in the U.S. helped to produce a rise of 88.4 per cent in foreign premium income.

In the UK in its bid for a major stake in Eagle Star Allianz appears to be acting alone, but in the U.S. in 1979 it acted in concert with Münchener Rück with each providing 50 per cent of the near DM 1bn needed to take over North American Life and Casualty, Minnesota and Fidelity Union Life Insurance, Texas.

Last year North and South America accounted for 57.1 per cent or DM 792.8m of Allianz's foreign premium income, while other EEC countries provided 18 per cent of the total and other European countries some 19.5 per cent. In the form of Anglo Elementar, Allianz owns 92 per cent of Austria's sixth largest insurance company.

Allianz's last important purchase overseas was in South Africa during 1980 when it acquired the Shield life and non-life insurance businesses.

Apart from such subsidiaries Allianz is also represented abroad by a growing network of branches and agencies in Europe, the Middle East and the Far East. Worldwide it has a full-time staff of some 25,000 together with around 42,000 agents. In the UK it has had a small subsidiary Allianz International active in the London insurance markets, and was a member of the Institute of London Underwriters, but much of its business was carried out by the London insurance broker Willis Faber.

Given the size it has reached in the home market Allianz must look increasingly overseas for future growth. In West Germany, where it has a market capitalisation of DM 4bn, it holds some 14 per cent of the life market, 20 per cent of motor insurance and some 16.5 per cent of the total non-life market. Excluding life business it had a total gross premium income of DM 6.89bn and an underwriting profit of DM 192m. Its investment income totalled DM 737m, while net profit after tax increased slightly to DM 204m compared with DM 199.3m.

Allianz is ready to use its size to enforce its position in the market. Some 44 per cent of its non-life premium income comes from motor insurance and in this field it has been trying to deflect competition through an aggressive pricing policy. Premiums have been lowered to try to hold back the attack of specialised motor insurers.

With DM 10.3bn of investments from non-life business plus a further DM 26bn from the life side Allianz is a powerful investment force in West Germany. It holds directly major stakes in German industry and through other partly owned holding companies it has major share stakes in groups as diverse as Hapag Lloyd, Thyssen, Gutehoffnungshütte, Metallgesellschaft and Messerschmitt.


Terry Kirk

Dr. Hans-Jurgen Schwepcke (left), a management board member of Allianz Versicherungs, with boardroom colleague Dr. Marcus Bierich who is the group's chief financial officer.

Berisford's revised BSC bid is final

THE REVISED terms of S. and W. Berisford's £201m contested bid for British Sugar Corporation will not be further increased.

Berisford announced last Thursday that it was raising its offer for BSC by 17½ per cent to 335p a share in cash or loan stock. The terms of an alternative share offer were also revised.

However, the company did not specify that the offer would not be raised yet again. BSC shares then gained 3p on Friday to 337p amid speculation about further increases.

Mr G. E. Percival, a Berisford director, said yesterday that the decision not to increase the offer was taken last week but it was decided to withhold the announcement for a few days in case the Berisford shares reacted to the company's interim results which were also published on Thursday.

"If the shares had moved, we might have had to fine tune our share offer," Mr Percival said.

Berisford shares were unchanged on Friday and again yesterday, when the company announced the decision not to raise its bid further. BSC shares fell back 2p yesterday to the offer price of 335p.

Berisford said it acquired a further 750,000 BSC shares in market purchases yesterday, which would bring its holding to 6.9m or 11.6 per cent of those issued.

The revised offer is open until June 15 but Berisford has the right to extend it to July 4.

The Government holds a 24 per cent stake in BSC and Mr Peter Walker, Secretary of State for Agriculture, and Mr Nigel Lawson, Financial Secretary to the Treasury, are to meet shortly to discuss whether or not to accept the Berisford offer now that the terms are final, for this year at least.

NO PROBE

The merger between Pechiney Ugine Kuhlmann SA and Brandeis Goldschmidt and Co. is not to be referred to the Monopolies and Mergers Commission.

SRD ups bid for Hield Brothers

THE BIDDING in the auction of Hield Brothers, the loss-making Bradford based worsted cloth maker, continued apace yesterday, as Stroud Riley Drummond came back with increased terms, valuing the company at £2.12m on a cash bid basis.

Stroud, which already has a 27.4 per cent stake in the company, raised its bid in response to higher terms from Gamma Beta Investments, the private company of the Chami Bacha family of the Middle East.

Gamma's first bid for Hield in April was worth 10½p cash. This was exceeded by Stroud with an option of cash and shares or 11.5p cash per share and this offer was subsequently topped by Gamma last week with a 13½p cash offer.

In its latest move Stroud is offering one of its own shares plus 33p cash, for every six Hield shares. At yesterday's closing price of 60p (down 1p) for Stroud each Hield share is valued at 15.8p compared with last night's price of 15½p (up 1½p). Stroud is again offering a cash alternative, this time of 14p, and 65p for each preference.

Stroud said holders should ignore the last Gamma offer, which Hield had been recommending.

It was also announced yesterday that Mr M. C. Chamsi Bacha purchased 50,000 ordinary shares of Hield on May 29 at 13½p each.

RHM SHARE DISPOSALS

Mr J. Rank, a director of Ranks Hovis McDougall, as a trustee—official custodian for Charities Joseph Rank 1942 Trust—has disposed of 200,000 shares at 51p leaving a holding of 700,000 shares.

Other directors have exercised their options under the executive share option scheme at 25p per share and sold the shares involved at 51p each. The directors were Mr P. W. J. Reynolds—167,205 shares; Mr J. M. Semple—36,809 shares; Mr S. G. Metcalfe—21,056 shares and Mr R. G. Rogerson—18,000 shares.

Harvey Ross lifts Sumrie holding

Mr Harvey Ross, the Yorkshire businessman has increased his stake in Sumrie Clothes, a men's outerwear manufacturer, from 15.9 per cent to 24.7 per cent.

Mr Ross's company Harvey Michael Investments has purchased a further 220,000 shares taking its holding up to 617,500. At yesterday's price of 63p (up 1p) this holding is valued at £389,000.

Mr Ross said yesterday that he would continue to buy the shares in Sumrie. He said he had not had talks about Board representation for some time. "I haven't discussed anything with them recently," he said.

Mr Ross said he planned to life his stake further and then the Sumria Board "would be in a weak position to refuse" Board representation.

He also disclosed that he was having talks with another company, not in the clothing business, which if successful would give him control. He said he was still negotiating over the price "but with the recession they are coming down to earth." He expected an announcement in about six to eight weeks.

SHARE STAKES

British Dredging Company—Ready Mixed Concrete has purchased 100,000 new ordinary shares nil paid and in accordance with terms of provisional allotment letter dated May 1 1981 these shares became fully paid on May 22 1981. RMC purchased a further 5,000 new ordinary fully paid on May 22.

Change Wares—R. J. Stockwell, director, and J. R. Dutton each sold 50,000 ordinary.

Fairview Estates—J. B. Cousins has disposed of 150,000 shares.

Grand Metropolitan — Mr J. Travers Clarke, director, sold 60,000 ordinary from his beneficial holding.

Rowntree Mackintosh—Trustees of the Joseph Rowntree Memorial Trust have taken up rights in respect of 1,231,248 ordinary and are now interested in 8,556,248 ordinary (6.31 per cent).

Joseph Webb and Co. — Mr D. R. Morgan disposed of 70,000 ordinary. Mr A. C. Webb, director, disposed of 30,000 ordinary at 28½p on May 22.

Butterfield-Harvey — Barclays Nominees (M and G Group) has acquired 325,000 shares making holding 800,000 (5.71 per cent).

Bremner and Co — Hugh Fraser Trusts have acquired 75,000 shares making holding 607,000 (10.996 per cent).

Haden Carrier — Norwich Union Insurance holds 436,146 shares (5.63 per cent). This notice supercedes that relating to a holding of 575,046 ordinary (7.4 per cent) reported previously.

W. A. Stickland and Co., Lloyd's brokers, have become part of the C. J. Coleman Group, as a wholly-owned subsidiary of C. J. Coleman Holdings but will continue to operate as a separate entity.

W. G. Allen and Sons (Tipton) —Brockhouse disposed of 200,000 shares thereby reducing its holding to 325,777 shares (8.76 per cent). Additionally, 2,000 shares registered in the name of Mr. A. H. Griffiths are beneficially held by Brockhouse.

Berry Trust — The Merchant Navy Officers Pension Fund acquired 895,600 ordinary shares (5.6 per cent).

Cardinal Investment Trust — Sun Life Assurance Society holds 2,033,680 deferred shares.

London Trust buys majority of Caparo stake in Barrow Hepburn

IN AFTER hours dealing on Friday afternoon, London Trust purchased 4.485m shares in Barrow Hepburn, the manufacturing and industrial distribution group, increasing its stake from 4.1 to 22.7 per cent. The price paid was close to yesterday's market price of 36p, which capitalised Barrow Hepburn at £8.7m.

The shares formed part of Caparo Group's 29.5 per cent holding. Caparo, whose chairman Mr Swraj Paul is a director of Barrow Hepburn, retains approximately 2.7m shares (11.35 per cent).

Following the recent merger between Caparo's quoted subsidiary LK and Central Manufacturing, Caparo and Barrow Hepburn have become competitors in the industrial rubber goods and protective clothing markets.

"We took the stake because it was there," London Trust's managing director Mr L. R. Rolfe said yesterday. Professor Roland Smith, who is a director of Barrow and of London Trust, had become aware that some part of the Caparo stake might be for sale. London Trust decided not to make an offer for the entire holding because its own stake would then have exceeded 30 per cent, necessitating a full bid under the Stock Exchange Code.

The 7.3 per cent holding managed by Electra Investment Trust could conceivably be taken together with the London Trust shares for this purpose, Mr Rolfe said, and that was why London Trust had restricted its stake to 22.7 per cent.

London Trust was considering the possibility of nominating to the board of Barrow someone of suitable industrial experience, "who could be a help to Barrow Hepburn." The nominee would not be a director of London Trust.

Barrow Hepburn welcomed London Trust's proposal to take an increased interest in Barrow. At the same time, relations with Caparo were still friendly, and Caparo will remain represented on the Barrow board.

Barrow Hepburn's annual meeting is being held in London today.

Saint Piran affair–DoT gives reply

Mr Reginald Eyre, MP, for the Department of Trade, replied to a Parliamentary question on the *Saint Piran affair*. The Department of Trade had been asked if it would reconsider its decision not to petition for the winding up of Saint Piran, as advised by Department of Trade inspectors in a recently published report.

Mr Eyre refused the request. "I arranged for the inspectors' report to be published very *quickly to coincide with the offer* of 50p for its shares (now increased to 60p) on behalf of Gasco Investments. I did not accept the inspectors' advice to petition for the company's winding up because I considered that that was a decision best left to shareholders themselves.

"One shareholder has now filed a petition and in the light of that, I do not consider it desirable to comment on the substance of a matter which may soon fall to be considered by the court."

Suter negotiating to sell 51% of Searle

Suter Electrical is negotiating the sale to McQuey-Perfex, a publicly quoted U.S. company, of a 51 per cent stake in its subsidiary Searle Manufacturing. The price is still under negotiation, but will be based on Searle's asset value of slightly more than £2m. The deal is expected to be for cash.

Searle, which is part of Suter's Prestcold subsidiary, manufactures heat-exchange equipment—unit coolers, condensers and coils—at Fareham, near Southampton. Turnover is more than £5m a year, and Searle is budgeted to make a small profit in 1981. McQuey, based in Minneapolis, is a major producer of industrial heat-equipment. It is expected that McQuey will expand Searle's product range, and advance its manufacturing technology.

In addition to the cash value from the sale, Suter is expecting to derive an income from renting the Fareham factory to Searle. The balance between the cash and rental components of the deal is still being negotiated.

Although Searle would become a subsidiary of McQuey upon completion of the deal, it is envisaged that the existing management of Searle will continue.

HOGG ROBINSON IN U.S. ACQUISITION

Credit Insurance Association, part of the Hogg Robinson Group, the insurance broker with large Lloyd's interests, has taken a 51 per cent stake in Trade Credit Insurance Services of Michigan, to develop direct credit and political risk insurance business in the main heavy industrialised area of the northern U.S.

This investment represents the first of a series planned by the Credit Insurance Association to develop a network of retail broking companies

W. WILLIAMS

W. Williams and Sons (Holdings) has disposed of its subsidiary Rhiwbina Properties (Proprietary) Johannesburg for 388,000 rands. The deal was completed on May 27. This subsidiary was shown as worth 104,209 rands in the 1980 accounts.

WHATMAN REEVE

Whatman Reeve Angel has issued 262,000 ordinary shares, as a result of County Bank exercising all its option rights to subscribe for shares at 37.5p per share. The shares were then sold on behalf of County Bank.

The rights were part of the agreement made with County Bank in 1975 for facilities to finance the company's developments.

ASSOCIATES DEALS

On Friday, Halliday, Simpson and Co. carried out the following transactions in N.C.C. Energy ord. shares on behalf of associates: sold 14,000 at 125p, bought 500 at 125p, bought 500 at 126p, bought 12,250 at 123½p new account, 5,000 at 125p new account, 10,000 at 125½p new account and 13,500 at 126p new account.

SULZER DISPOSAL

Sulzer Brothers (UK), of Farnborough, has sold its production unit for packaging machines in Hyde, Greater Manchester, to Commercial and Industrial Securities.

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

1980-81 High	Low	Company	Last price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
76	39	Airsprung	72	—	4.7	6.5	11.4	15.8
52	21	Armitage and Rhodes	48	—	1.4	2.9	20.2	46.7
200	82½	Bardon Hill	200	—	9.7	4.9	-7.5	12.8
104	88	Deborah Services	104	—	5.5	5.3	5.1	9.8
126	68	Frank Horsell	104	—	6.4	6.2	3.3	6.0
110	39	Frederick Parker	59	—	1.7	2.9	25.7	—
110	64	George Blair	64	—	3.1	4.8	—	—
110	59	Jackson Group	105	—	6.9	6.6	4.0	8.1
129	103	James Burrough	129	—	7.9	6.1	10.6	10.6
334	244	Robert Jenkins	318	—	31.3	9.8	—	—
55	50	Scruttons "A"	55	—	5.3	9.6	4.0	4.0
224	203	Torday	203	—	15.1	7.4	3.5	7.8
23	8	Twinlock Ord.	14½	—	—	—	—	—
90	68	Twinlock 15% ULS	75	—	15.0	20.0	—	—
56	35	Unilock Holdings	43	—	3.0	7.0	6.6	10.5
103	81	Walter Alexander	101	—	5.7	5.6	5.6	8.9
263	181	W. S. Yeates	255	—	13.1	5.1	4.8	9.8

EUROPEAN OPTIONS EXCHANGE

Series		Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
GOLD C	$450	—	—	—	—	1	90 B	$484
GOLD C	$500	—	—	—	—	6	64	,,
GOLD C	$525	10	14.50	—	—	—	—	,,
GOLD C	$550	—	—	5	22 B	—	—	,,
GOLD P	$475	3	13	—	—	—	—	,,
		June		Sept.		Dec.		
GM C	$60	10	1¼	—	—	—	—	$58⅝
		July		Oct.		Jan.		
ABN C	F.300	7	1	—	—	—	—	F.276
AKZO C	F.17.50	80	6	—	—	—	—	F.23.20
AKZO C	F.20	10	3.80	25	4.50	—	—	,,
AKZO C	F.22.50	—	—	40	2.80	—	—	,,
AKZO C	F.25	10	0.50	—	—	25	3	,,
HEIN C	F.55	—	—	—	—	10	4.20	F.62.40
HEIN C	F.60	10	0.60	14	2.10	—	—	,,
HOOG C	F.15	27	3.30	—	—	—	—	F.17.70
HOOG C	F.17.50	15	1	22	2.90	—	—	,,
HOOG C	F.20	—	—	60	1.40 B	—	—	,,
IBM C	$60	12	2⅛	35	4¾	—	—	$59⅞
IBM C	$70	—	—	20	1	—	—	,,
IBM P	$60	—	—	20	2¾	—	—	,,
KLM C	F.90	10	48	—	—	—	—	F.138.20
KLM C	F.120	62	21.80	11	25.50 B	—	—	,,
KLM C	F.130	112	15	—	—	—	—	,,
KLM C	F.140	92	10	28	14.50 B	—	—	,,
KLM P	F.100	19	0.70	—	—	—	—	,,
KLM P	F.110	20	1.60	9	5	—	—	,,
KLM P	F.120	15	3 A	13	7.80	—	—	,,
KLM P	F.130	69	6	24	12.50	—	—	,,
KLM P	F.140	20	11.50	—	—	20	21	,,
NATN C	F.115	10	1.50	—	—	—	—	F.107.80
NATN C	F.120	—	—	11	2	—	—	,,
NATN C	F.125	—	—	20	1.30 A	—	—	,,
NATN C	F.130	—	—	9	0.90	—	—	,,
PHIL C	F.17.50	—	—	20	5.60	—	—	F.22.40
PHIL C	F.20	51	3	61	3.80	22	4.60	,,
PHIL C	F.22.50	287	1.10	84	2.10	19	2.70	,,
PHIL C	F.25	20	0.40 A	119	0.90	10	1.40	,,
PHIL P	F.22.50	—	—	28	0.80	—	—	,,
PHIL P	F.25	—	—	29	2.70	30	2.70 A	,,
RD C	F.80	—	—	40	10	—	—	F.85.20
RD C	F.90	74	2.50 A	75	4.30	—	—	,,
RD C	F.95	163	1.10	—	—	—	—	,,
RD C	F.100	186	0.60	95	2	—	—	,,
RD C	F.110	10	0.20	20	1	—	—	,,
RD P	F.80	59	1.50	49	3.80	—	—	,,
RD P	F.90	66	5.90	62	7.70	13	10	,,
RD P	F.95	32	9.80 B	—	—	—	—	,,
RD P	F.100	40	14.50 B	98	15.50 B	35	16.50 B	,,
UNIL C	F.160	—	—	9	2.40	—	—	F.143.60
XERO C	$50	7	8	—	—	—	—	$53¼

TOTAL VOLUME IN CONTRACTS 3033

A=Asked B=Bid C=Call P=Put

CORAL INDEX
Close: 548-553 (+8)

OIL INDEX
July Refined $40.00
October Refined $41.30

MINING NEWS

Zaire opts to go it alone in diamond marketing

BY GEORGE MILLING-STANLEY

THE DECISION by Zaire, the biggest producer of industrial diamonds in the world, to sell its stones outside the auspices of De Beers' Central Selling Organisation comes at a curious time, with the worldwide market for diamonds in the doldrums.

Zaire's state-controlled mineral marketing agency Sozacom told the CSO last month that it intended to handle the marketing of all of its diamonds itself, and planned a sale in the country's capital Kinshasa for the end of May.

On Friday, Sozacom sold 620,000 carats of diamonds to three independent dealers, Caddi and Glasel, both of Antwerp, and Industrial Diamond Company of London's Hatton Garden. At a price of about $10 a carat, Sozacom will have received a total of something like $6m (£2.87m).

The CSO, which handles the marketing of about 80 per cent of world rough diamond production, has had an exclusive contract for the whole of Zaire's output since 1967, but earlier this year President Mobutu Sese Seko decreed that Sozacom should assume immediate responsibility for the selling of all the country's minerals. Zaire is also a major force in world production of copper and cobalt.

This did not automatically herald the end of the 14-year relationship between Zaire and the CSO, as Sozacom was allowed to choose between renegotiating its contracts with existing partners in mineral marketing, or of concluding agreements with new customers.

Last month it was learned that Sozacom had signed sales contracts with the three companies involved in Friday's sale, but that these contracts did not contain percentage figures as Sozacom still wanted to sell a portion of its output through the CSO, possibly as much as 40 per cent.

The CSO has maintained throughout the negotiations that it needs to take the whole of Zaire's production in order to maintain its control over world prices.

Even at this late stage, the CSO is still hopeful that it can come to some arrangement with Sozacom which will allow it to resume handling Zaire's diamonds. The organisation said yesterday that as far as it is concerned, the talks are still on.

The CSO has left on the negotiating table a statement of its position, and will await an invitation to Kinshasa to resume the discussions until it receives formal notification from Sozacom to the effect that the relationship is at an end.

Yesterday's announcement from Kinshasa that the next sale will be held in three weeks' time suggests that the CSO will wait in vain, and that Zaire regards the sale as terminating the relationship.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: John Carr (Doncaster), MEPC.

Finals: Atkins Brothers (Hosiery), Carless Capel and Leonard, Debenhams, De La Rue, Dundonian, Harrisons and Crosfield, Inter-City Investment, London and Lennox Investment Trust, Parkland Textile, Reed, International, Scotcros, Tanks Consolidated Investment, Triefus.

FUTURE DATES

Interims:—

Dobson Park Industries	June 5
Durban Roodepoort Deep	June 8
East Rand Proprietary Mines	June 8
Fertner (J. H.)	June 15
ICL	June 8
Vectis Stone	June 9

Finals:—

Airflow Streamlines	June 4
Associated British Foods	June 8
Barlow Holdings	June 10
Blyvooruitzicht Gold Mining	June 8
Bradford Property Trust	June 16
Dwek Group	June 5
Finlay (James)	June 11
May and Hassell	July 6
Prince of Wales Hotels	June 5
Premier Consd. Oilfields	June 8
Sketchley	June 9

Hard times for Union Miniere

BELGIUM'S Union Miniere international mining and investment group intends to concentrate its future efforts on Canada, the U.S. and Brazil. Meanwhile, it is a case of weathering the current weakness in base metal prices.

At the annual meeting in Brussels M Paul-Emile Corbiau, the chairman, pointed out that the group's Thierry mine in Canada will continue to make losses in the current year and cannot be expected to return to profitability until there is a marked improvement in the copper price.

He added that the current slowing down in the provision of new copper capacity throughout the world could lead to a shortage of the metal and sharply higher prices in due course. But this would not happen until there was a good recovery in the U.S. economy.

The group's Société de Prayon, which operates a zinc smelter near Liege, lost BFr 1.2bn (£15m) last year and its losses for this year are estimated at BFr 700m. The company recently filed a petition for receivership with creditors and Union Miniere will have to write down its holding in Prayon to BFr 1 from a book value of BFr 227m.

Another zinc smelter in which Union Miniere has a sizeable interest, Compagnie Royale Asturienne des Mines, was granted a loan of BFr 600m by Union Miniere last year and is hoping to defer part of its already large loan repayments. In the U.S. the Jersey Miniere smelter is not expected to become profitable again until the zinc price rises to 56 cents per lb from the current level of 46 cents.

On the brighter side, Union Miniere's Brazilian activities are making good progress. A fifth dredge has been purchased for the Tejucana diamond operation while the Paraibuna zinc foundry is operating satisfactorily. The BFr 1 from a book value of BFr 227m. The sale last year of the Mexican Velardena orebody provided a profit of BFr 1.1m.

Last year Union Miniere's profit fell to BFr 501m from BFr 666m in 1979. The dividend was maintained at BFr 50 on the one-tenth shares which were 920p yesterday.

Gold Fields has 8.1% of Newmont

LONDON'S Consolidated Gold Fields and its U.S. subsidiary Amcoh held some 2.1m shares, or 8.1 per cent, of America's Newmont Mining on May 29, it is stated.

In April Gold Fields said that it had purchased about 7 per cent of the Newmont equity at a total cost of some £45m, equal to an average price of $58 per share.

The London group added that it intended to raise the Newmont holding to a minimum of 25 per cent but less than 50 per cent.

Since then, however, the U.S. group has resisted the advances of Gold Fields, but the latter says that it will continue to buy shares if they are available at "appropriate" prices. Newmont shares are currently around $61.

Round-up

Nickelore, the small Western Australian gold exploration company, has pegged 14 claims at the Kidack prospect in the Leonora area of Western Australia.

The area has not been mined before, but Nickelore said that it was the scene of a recent discovery of a single gold nugget weighing 20 ounces, together with other nuggets totalling 40 ounces imbedded in a cap of laterite rock covered by a few inches of soil.

The company is currently drilling a shallow orebody at Mertondale, also in the Leonora area, and has a 30 per cent interest in the joint venture which is exploring the former Big Bell gold mine on Western Australia's Murchison gold field.

* * *

Japan's Nippon Mining has produced net profits of Y6.37bn (£13.7m) for the year to March 31, compared with £5.99bn last time. Sales rose to Y1,150bn from Y858.42bn. The final dividend is an unchanged Y5.

Another Japanese metals company, Mitsui Mining and Smelting, recorded a deficit of Y1.37bn for the same period, compared with a net profit of Y3.11bn. Sales fell to Y273.81bn from Y284.62bn, and the group is again omitting the dividend.

* * *

The Vancouver-based Colby Resources has made what it describes as a "significant" oil and gas discovery at the Silvery No. 1 well drilled in Milam County, Texas.

The well flowed oil at the rate of 252 barrels a day with a flowing tubing pressure of 675 pounds from the interval 4,604 to 4,618 ft. Colby currently has a 100 per cent working interest in the discovery field, which comprises 5,000 acres.

RESULTS AND ACCOUNTS IN BRIEF

WINTERBOTTOM ENERGY TRUST—Net asset value per 25p share at close of business on May 29 was 74.6p after deduction of prior charges at par and 77.5p after deduction of prior charges at market value.

LAIRD GROUP—1981 appeared likely to be another satisfactory year for the group. The policies outlined at the AGM would continue to be followed to broaden the group's base and improve its profitability, said Sir Ian Morrow, chairman.

BARLOWS (packers and warehousemen)—Dividend 4p (same) for 1980. Turnover £96,152 (£357,830). Profit pre-tax £21,561 (£29,014). Tax £4,636 (£11,776). Profit attributable £17,225 (£18,178). Earnings per £1 share 5.9p (6.3p).

JOHN LAING (construction engineer)—Results for 1980 and prospects reported May 2. Fixed assets £59.67m (£56.3m). Trade investments £3.35m (£10.45m). Net current assets £20.63m (£24.32m) including bank loans and advances £4.67m (£6.24m). Shareholders' funds £60.1m (£18.44m). Net liquid funds decreased £8.00m (£24.58m increase). Current cost pre-tax profit £1.77m against historical £3.2m. Meeting, Company's office, Page Street, NW, June 26, 3 pm.

BRIXTON ESTATE (property investment and development)—Results for 1980 reported May 7. Group investment properties £171.08m (£150.39m). Current assets £7.29m (£3.19m). Current liabilities £8.11m (£7.55m). Shareholders' funds £110.16m (£81.31m). Long-term borrowings £50.59m (£44.34m). Medium and short-term borrowings £9.27m (£20.57m). Working capital deficit £3.74m (£3.82m). Increase in net borrowings £1.67m (£1.03m increase). Meeting, Grange House, 84-86 Borough High Street, SE1 on June 26 at 2.30 pm.

PORTSMOUTH WATER CO.—Results for year to March 31, 1981: net revenue before tax £1.09m (£1.3m) after interest charges £(36,514 (£291,366): dividends £642,538 (£640,487): tax £403,964 (£362,400): net deficit £252,477 (£32,617 surplus): capital and loan stocks £17.28m (same): reserves £3.58m (£3.46m): fixed assets £19.61m (£16.97m): current assets £2.96m (£5.38m): current liabilities £1.72m (£1.61m): CCA surplus before tax 12 not complied with. Meeting: Havant, June 18, noon.

SILENTNIGHT HOLDINGS (bedding and upholstery manufacturer)—Results for year to January 31, 1981 and prospects reported April 23. Fixed assets £12.41m (£12.33m). Net current assets £2.38m (£3.36m) including cash and bank balances £588,000 (£272,000). Shareholders' funds £14.63m (£14.57m). Loans £0.59m (£1.06m). Meeting, Winchester House, EC, June 24, noon.

CHARLES EARLY AND MARRIOTT (WITNEY) (manufacturer of blankets and floor coverings)—Results for year to January 30 reported April 4. CCA loss before tax £16,413 against historic profit of £186,730. Shareholders' funds £3.73m (£3.42m). Fixed assets £1.05m. Auditors point out that SSAP 16 was not complied with (£2.32m) including bank overdraft £29,232 (£443,490). Cash £2,537 (£1,673). Chairman says there is little in the economic climate at home or abroad to suggest much improvement in the current year. It is proposed to change the group's name to Early's of Witney. Meeting, Witney, June 22 at 2.30 pm.

JAMES NEILL HOLDINGS (tool manufacturer and general engineer)—Results for 1980 with prospects reported May 13. Shareholders' funds £26.8m (£29.15m). Borrowed funds £17.69m (£17.2m). Fixed assets £19.42m (£18.96m). Net current assets £26.98m (£27.25m). Net outflow £59,000 (£863,000).

ESTATES AND GENERAL INVESTMENTS (property investment and development)—Results for 1980 reported April 28. Group fixed assets £18.37m (£13.2m). Net current assets £1.83m (£1.31m). Shareholders' funds £15.18m (£9.78m). Net liquid funds decreased £128,540 (£38,947). Meeting, The Savoy Hotel, WC, June 25, noon.

LONDON TRADED OPTIONS

May 29 Total Contracts Call 665 Put 94

Option	Ex'rcise price	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	Equity close
BP (c)	390	22	3	38	—	54	—	386p
BP (c)	420	11	4	23	—	34	—	
BP (c)	360	10	30	20	3	24	—	
BP (c)	390	26	2	33	2	36	—	
Com. U'n (c)	140	25	2	29	—	34	—	161p
Com. U'n (c)	160	13	11	17	—	21	—	
Com. U'n (c)	180	3	6	11	10	13	4	
Cons. Gld (c)	500	30	30	28	3	50	3	509p
Cons. Gld (c)	550	15	—	28	—	38	—	
Court'lds (c)	50	24	2	25	—	—	—	71p
Court'lds (c)	60	14	2	16	—	19	—	
Court'lds (c)	70	5	—	10	5	13	—	
Court'lds (c)	80	2	—	5	5	7	—	
GEC (c)	650	53	—	77	1	102	—	688p
GEC (c)	700	18	2	45	—	69	—	
Grd Met. (c)	160	42	—	44	—	—	—	198p
Grd Met. (c)	220	5	—	8	10	15	—	
ICI (c)	280	22	9	30	—	40	—	283p
ICI (c)	300	12	9	18	5	32	5	
ICI (c)	330	5	5	10	—	23	5	
Land Sec. (c)	390	5	6	35	—	45	—	383p
Mks & Sp (c)	120	33	4	25	—	30	—	159p
Mks & Sp (c)	130	24	2	27	—	32	—	
Mks & Sp (c)	140	3	10	5	10	15	1	
Shell (c)	390	16	2	30	5	42	—	378p
Shell (c)	420	9	—	19	—	26	—	
		August		**November**		**February**		
Barclays (c)	360	48	—	33	—	28	—	398p
Barclays (c)	390	30	1	38	—	43	—	
Barclays (c)	420	15	—	25	—	33	—	
Imperial (c)	80	6	—	10	—	—	—	75p
Lasmo (c)	650	35	1	50	—	—	—	582p
Lasmo (c)	700	20	—	60	5	—	—	
Lonrho (c)	80	8	—	10	—	—	—	81p
Lonrho (c)	100	4	—	12	—	—	—	
Lonrho (c)	110	2	—	8	—	29	—	
Lonrho (p)	90	5	—	7	—	—	—	
P & O (c)	140	6½	—	12	5	—	—	150p
P & O (c)	160	3	—	9	—	12	—	
Racal (c)	390	34	—	50	—	38	—	406p
Racal (c)	420	30	—	26	—	58	—	
Racal (p)	390	33	—	57	—	46	—	
RTZ (c)	500	70	—	85	—	55	—	525p
RTZ (c)	550	22	—	47	—	65	—	

C=Call P=Put

UK COMPANY NEWS

Sangers Group loss in second half

IN THE second half of the year to the end of February 1981 Sangers Group fell from a pre-tax profit of £520,000 to a loss of £458,000 bringing the total for the 12 months to a profit of £5,000 compared with £1.12m. Turnover for the year was £5m higher at £120.11m.

Mr G. H. J. Robinson, chairman of this group engaged in pharmaceuticals, photographics, optics and agencies, says these results are disappointing. The directors have decided not to recommend a final dividend (4.58p) so the year's payout remains at the 1.8p (6.38p) per 25p share already paid.

Looking to the current year Mr Robinson says that in the first two months the group has not returned to profitability. In the short term every resource is being concentrated on the pharmaceuticals and optics operations to improve profits and the company is continuing its efforts to strengthen the management team in both divisions.

The major reason for the poor results he says were the continuing difficulties of the pharmaceuticals division which made a loss of £505,000 (£384,000 profit) in Great Britain on lower turnover of £74.23m (£73.28m), though in Northern Ireland it made a higher profit of £258,000 (£152,000) and turnover increased to £12.3m (£9.91m).

Interest charges were much higher at £1.12m (£639,000) and Mr Robinson says a large part of these were incurred by the pharmaceuticals division. Reorganisation of the division started in previous year had taken longer and cost more than was anticipated.

The optics division made a profit of £575,000 (£566,000) on a turnover of £6.29m (£4.57m). Mr Robinson says this increase in profits shows that the division's expansion programme—with the acquisition of 21 practices and a prescription laboratory in the South West—has been worth while. However, the rest of the optics business produced lower profits due to lower sales in some practices and overheads higher than the sales levels in the second half could support.

The photographic division, which made an increased profit of £558,000 (£506,000) on turnover of £11.69m (£9.69m), moved into a purpose built headquarters in Birmingham in January. The results of this division are satisfactory, Mr Robinson says.

The agencies company also increased its profits, which came out at £239,000 (£178,000) on turnover of £8.76m (£6.98m). The agencies company in Northern Ireland continued to show satisfactory growth, and the group's new agency company in Great Britain became operational during the second half of the year.

There was a tax credit of £267,000 (£160,000), and extraordinary debits of £141,000 (£640,000), leaving an amount attributable of £131,000 (£640,000).

The extraordinary items relate to reorganisation costs: Closure, redundancy and overlap costs were £757,000, and start up costs of new operations in agencies and two new pharmaceutical depots amounted to £418,000. Against these costs were set the credits resulting from the sale of the group's grocery business in Northern Ireland and pharmaceutical properties and from litigation.

Dividends absorbed £197,000 (£634,000) bringing the retained loss to £66,000 (£6,000 profit). The earnings per share are stated at 2.58p (13.23p), and current cost adjustments reduced the pre-tax profit for the year to a loss of £610,000.

● comment

Sangers Group shed 5p to close at 52p after an awful set of figures and the omission of the final dividend. In contrast to its competitors, Sangers UK wholesale pharmaceutical division swung into loss in the second half while others were seeing a restoration in margins after a truce in the price war. Part of the reason for the group's poor performance lies in its loss of market share during the reorganisation of its drugs division and part because, cushioned by the fat margins during years of retail price maintenance, it has failed to modernise its stock taking and delivery procedeures. The reorganisation continues, so it will be some time before the group's earnings on the drugs side will match the industry average, although sales are now said to be picking up. In addition, the group's diversification into optical retailing has not provided the support hoped for. The net cash deficit is virtually unchanged over the year but short and long-term borrowings have more than doubled from £3.4m to £7.1m. Unless there is major recovery on the drugs side the group will do well to break even after interest in the first six months of the current year. The shares gain some support from bid talks and net assets per share of about 84p.

Wettern Brothers near £0.5m in the red

HIGH INTEREST rates and a sharp decline in the activities of the construction industry seriously affected the 1980 results of Croydon-based Wettern Brothers, distributor and manufacturer of construction materials.

Losses in the second six months accelerated rapidly and for the year as a whole the group incurred a pre-tax deficit of £497,000, compared with a profit of £67,000. At midyear a loss of £35,000 was reported, against a profit of £6,000 a year earlier.

The directors say that nearly all the companies in the group were affected by the serious decline in trade which was caused by the recession.

Having passed the interim dividend they have decided to omit payment of a final—last year, dividends totalling 5.2128p net were paid.

Turnover improved from £10.87m to £11.29m.

The loss was struck after interest charges sharply higher at £249,000 (£108,000) but was subject to tax of £24,000 (£37,000).

Stated earnings per 25p share are given as nil, compared with 1.7p.

Extraordinary debits amounted to £1.06m (£17,000) leaving a net deficit of £1.58m, against a profit of £13,000.

The directors point out that the planned rationalisation programme was intensified over the year and the accounts indicate the radical nature of this programme which had a severe effect on the assets of the group although this had been partly offset by a property revaluation.

Commenting on the results the directors say the manufacturing division ended the year with a diminished trading profit although this was reduced to a small loss by redundancy costs. Manufacturing activity was reduced to uneconomic levels and margins were lost by competitive activity.

The present chairman, Mr J. H. Wettern, is resigning from the Board at the end of this month. Mr R. J. East takes over as executive chairman on July 1.

Dentsply losses increase to £1.2m at full-time

IN THE second half of the year to November 30 1980, Dentsply increased its pre-tax loss from £660,000 to £758,000 bringing the loss for the 12 months to £1.18m compared with £559,000.

Its wholly owned subsidiary AD International made a loss before tax in the second half of £1.34m (£53,000) making a total loss of £1.43m (£28,000). Dentsply is a subsidiary of the U.S. company Dentsply International Capital Corporation and both Dentsply and AD International manufacture and supply dental supplies and equipment.

Turnover of Dentsply for the year was £20.64m (£20.95m) and the loss before tax was struck after interest charges of £486,000 (£985,000). There was a tax credit of £5,000 (£251,000) and the loss attributable emerged at £1.17m (£306,000).

The Dentsply Board is proposing to issue new Dentsply loan stock in exchange for AD International 9 per cent unsecured loan 1981-91, with an increased coupon of 9½ per cent, says an extraordinary general meeting is to be called in due course.

AD International's turnover was £20.15m (£20.5m) and interest charges before the pretax loss were £646,000 (£593,000). Tax came out as a credit of £161,000 (£649,000) and the loss attributable emerged at £1.27m (£619,000 profit).

Energy Finance achieves increase to £391,000

PRE-TAX profits of Energy Finance and General Trust Holdings, whose shares are traded on the unlisted securities market, increased from £305,011 to £391,594 for the year to March 31, 1981.

Stated basic earnings per share were down from 3.28p to 2.94p and fully diluted from 2.93p to 2.87p, but the year's dividend is being stepped up to 1.2p (1p) with a final of 0.6p.

The company's activities include corporate finance and management, investment, leasing and licensed dealing.

The current year has started impressively for each of its principal activities and the directors say every effort will be made to sustain this progress.

While as predicted, revenue has been affected by substantial investment, both direct and indirect, in oil and gas related activities, which are not immediate producers of income, there has been a significant and greater than expected improvement in the value of such investments.

Further participation in the oil and gas industry is under active consideration, together with plans for the continuing development of Transatlantic Oil Company (40 per cent owned by the group).

Tax for the year took £202,764 (£143,992) leaving profits attributable to ordinary holders ahead from £131,471 to £188,171.

WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on June 1, 1981. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling/dollar rates; (S) member of the sterling area other than Scheduled Territories; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rates; (exC) exchange certificate rate; (k) Scheduled Territory; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

PLACE	LOCAL UNIT	VALUE OF £ STERLING
Afghanistan	Afghani	112.50
Albania	Lek	10.50
Algeria	Dinar	8.6680
Andorra	French Franc	11.425
	Spanish Peseta	189.85
Angola	Kwanza	(CM) 66.25 (T) 68.55
Antigua (S)	E. Caribbean $	5.60
Argentina	Ar. Peso Free Rate	n/a
Australia (S)	Australian $	1.8060
Austria	Schilling	33.875
Azores	Portugu'se Escudo	126.60
Bahamas (S)	Ba. Dollar	2.0580
Bahrain (S)	Dinar	0.761
Balearic Isles	Spa. Peseta	189.85
Bangladesh (S)	Taka	36.40
Barbados (S)	Babados $††	4.1160
Belgium	B. Franc	(cm) 78.25 (fn) 79.85
Belize	B $	4.1160
Benin	C.F.A. Franc	571.25
Bermuda (S)	Bda $	2.0580
Bhutan	Indian Rupee	17.45
Bolivia	Bolivian Peso	51.25
Botswana (S)	Pula	1.7260
Brazil	Cruzeiro ‡‡	177.61
Brit. Virgin Isles (S)	U.S. $	2.0580
Brunei (S)	Brunei $	4.4325
Bulgaria	Lev	1.9310
Burma	Kyat	13.75
Burundi	Burundi Franc	188.275
Cameroon Republic	C.F.A. Franc	571.25
Canada	Canadian $	2.4610
Canary Islands	Spanish Peseta	189.85
Cape Verde Isle	Cape V. Escudo	75.15
Cayman Islands (S)	Cay. Is. $	1.7160
Cent. Af. Repub.	C.F.A. Franc	571.25
Chad	C.F.A. Franc	571.25
Chile	C. Peso	(Bk) 80.54
China	Renminbi Yuan	3.5858
Colombia	C. Peso	(F) 109.32
Comoro Islands	C.F.A. Franc	571.25
Congo (Brazaville)	C.F.A. Franc	571.25
Costa Rica	Colon	45.30
Cuba	Cuban Peso	1.5135
Cyprus (S)	Cyprus £	0.8770
Czechoslovakia	Koruna	(com) 12.30 (nc) 21.42 (T) 20.83
Denmark	Danish Krone	15.09
Djibouti	Fr.	360 (sg)
Dominica (S)	E. Caribbean $	5.60
Dominican Repub.	Dominican Peso	2.0580
Ecuador	Sucre	(O) 51.37 (F) 62.77
Egypt	Egyptian £	(U) 1.45
Equatorial Guinea	Ekuele	379.7
Ethiopia	Ethiopian Birr	(P) 4.2150
Falkland Islands (S)	Falkland Is. £	1.0
Faroe Islands	Danish Krone	15.09
Fiji Islands	Fiji $	1.7525
Finland	Markka	8.9650
France	French Franc	11.425
French C'tyin Af*	C.F.A. Franc	571.25
French Guiana	Local Franc	11.425
French Pacific Is.	C.F.P. Franc	200 (sg)
Gabon	C.F.A. Franc	571.25
Gambia (S)	Dalasi	4.0
Germany (East)	Ostmark	4.8025
Germany (West)	Deutsche Mark	4.8025
Ghana (S)	Cedi	5.68
Gibraltar (K)	Gibraltar £	1.0
Greece	Drachma	117.233
Greenland	Danish Kroner	15.09
Grenada (S)	E. Caribbean $	5.60
Guadaloupe	Local Franc	11.425
Guam	U.S. $	2.0580
Guatemala	Quetzal	2.0580
Guinea Republic	Syli	43.80
Guinea Bissau	Peso	78.05
Guyana (S)	Guyanese $	5.2480
Haiti	Gourd	10.30
Honduras Repub.	Lempira	4.15
Hong Kong (S)	H.K. $	11.25
Hungary	Forint	(com) 72.41 (T)(nc) 65.23
Iceland (S)	I. Krona	14.866(§)
India (S)	Ind. Rupee	17.45
Indonesia	Rupiah	1,302.05
Iran	Rial	162.80(sg)
Iraq	Iraq Dinar	0.6107
Irish Republic (k)	Irish £	1.3050
Israel	Shekel	22.70
Italy	Lira	2,385.5
Ivory Coast	C.F.A. Franc	571.25
Jamaica (S)	Jamaica Dollar	3.6702
Japan	Yen	457.5
Jordan (S)	Jordan Dinar	0.685(sg)
Kampuchea	Riel	2,469.6
Kenya (S)	Kenya Shilling	17.88
Kiribati	Australian $	1.8060
Korea (Nth)	Won	2.06(ll)
Korea (Sth)	Won	1,416.88
Kuwait	Kuwait Dinar	0.577
Laos	New Kip	20.58
Lebanon	Lebanese £	8.6110
Lesotho	Loti	1.7440
Liberia	Liberian $	2.0580
Libya	Libyan Dinar	0.6092
Liechtenstein	Swiss Franc	4.2675
Luxembourg	Lux Franc	78.25
Macao	Pataca	11.75
Madeira	Portug'se Escudo	126.60
Malagasy Republic	MG Franc	571.25
Malawi (S)	Kwacha	1.8650
Malaysia (S)	Ringgit	4.8360
Maldive Islands (S)	Mal Rupee	8.15
Mali Republic	Mali Franc	1,142.5
Malta (S)	Maltese £	0.7975
Martinique	Local Franc	11.425
Mauritania	Ouguiya	114.85
Mauritius (S)	M. Rupee	17.75
Mexico	Mexican Peso	49.93
Miquelon	C.F.A. Franc	571.25
Monaco	French Franc	11.425
Mongolia	Tugrik	(O) 6.86(ll)
Montserrat	E. Caribbean $	5.60
Morocco	Dirham	10.87(sg)
Mozambique	Metical	58.95
Nauru	Australian Dollar	1.8060
Nepal	Nepalese Rupee	24.85
Netherlands	Guilder	5.3325
Netherland Antilles	Antillian Guilder	3.6838
New Zealand (S)	N. Z. Dollar	2.3570
Nicaragua	Cordoba	20.65
Niger Republic	C. F. A. Franc	571.25
Nigeria (S)	Naira	1.257479(sg)
Norway	Norway Krone	11.815
Oman Sul'ate of (S)	Rial Omani	0.7165
Pakistan	Pakistan Rupee	20.40
Panama	Balboa	2.0580
Papua N.Guinea (S)	Kina	1.3945
Paraguay	Guarani	260.19
Peru	Sol	exc (A) 846.59
Philippines	Philippine Peso	15.85
Pitcairn Islands (S)	£ Sterling	—
	New Zealand $	2.3570
Poland	Zloty	(Cm) 70.48 (T) 70.48
Portugal	Portugu'se Escudo	126.60
Puerto Rico	U.S. $	2.0580
Qatar (S)	Qatar Ryal	7.55
Reunion Ile de la	French Franc	11.425
Romania	Leu	(Cm) 9.71 (n/c) 23.90
Rwanda	Rwanda Franc	192.06
St. Christopher (S)	E. Caribbean $	5.60
St. Helena	St. Helena £	1.0
S. Lucia	E. Caribbean $	5.60
St. Pierre	Local Franc	11.425
S. Vincent (S)	E. Caribbean $	5.60
Salvador El	Colon	5.17
Samoa American	U.S. $	2.0580
San Marino	Italian Lira	2,385.5
Sao Tome & Principe	Dobra	80.25
Saudi Arabia	Ryal	7.03
Senegal	C.F.A. Franc	571.25
Seychelles	S. Rupee	12.65(sg)
Sierra Leone (S)	Leone	2.4107
Singapore (S)	Singapore $	4.4325
Solomon Islands (S)	Solomon Is. $	1.8080
Somali Republic	Somali Shilling	(A) 13.05
South Africa (S)	Rand	1.7440
South West African Territories (S)	S. A. Rand	1.7440
Spain	Peseta	189.85
Spanish ports in North Africa	Peseta	189.85
Sri Lanka (S)	S. L. Rupee	38.09
Sudan Republic	Sudan £ (1)	1.03
Sudan Republic	Sudan £ (2)	1.65
Surinam	S. Guilder	3.6838
Swaziland (S)	Lilangeni	1.7440
Sweden	S. Krona	10.185
Switzerland	Swiss Franc	4.2675
Syria	Syria £	(A) 8.15
Taiwan	New Taiwan $	74.08
Tanzania (S)	Tan. Shilling	17.00
Thailand	Baht	43.08
Togo Republic	C.F.A. Franc	571.25
Tonga Islands (S)	Ha'anga	1.8060
Trinidad (S)	Trinidad & Tob. $	4.9392
Tunisia	Tunisian Dinar	1.0525(sg)
Turkey	Turkish Lira	213.98
Turks & Caicos	U.S. $	2.0580
Tuvalu	Australian $	1.8060
Uganda (S)	Uganda Shilling	17.87
United States	U.S. Dollar	2.0580
Uruguay	Uruguay Peso	(cm) 21.96 (fn) 21.97
Utd. Arab Emirates	U.A.E. Dirham	7.59
U.S.S.R.	Rouble	1.5377
Upper Volta	C.F.A. Franc	571.25
Vanuatu	Vatu	180(sg)
	Aust. Dollar	1.8160
Vatican	Italian Lire	2,385.5
Venezuela	Bolivar	8.86
Vietnam	Dong	(O) 4.5125 (T) 5.04(ll)
Virgin Islands U.S.	U.S. Dollar	2.0580
Western Samoa	S. Samoan Tala	2.0950
Yemen (Nth)	Ryal	9.38(sg)
Yemen (Sth)	S. Yemen Dinar	(A) 0.7070
Yugoslavia	New Y Dinar	72.8362
Zaire Republic	Zaire	6.737442
Zambia	Kwacha	1.7995
Zimbabwe	Zimbabwe $	1.3920

*That part of the French community in Africa formerly French West Africa or French Equatorial Africa. † Rupees per pound. ‡ General rates of oil and iron exports 86.40. **Rate is the transfer market (controlled). ††Rate is now based on 2 Barbados $ to the dollar. ‡‡Now one official rate. (U) Unified rate. Applicable on all transactions except countries having a bilateral agreement with Egypt and who are not members of IMF. (ll) Based on gross rates against Russian rouble. (1) Official rates for government transactions and specified exports and imports. (2) Parallel rate for non-government transactions and non-specified exports and imports. § One new Krona=100 old Kronur.

Dollar firm

Dollar sentiment improved in currency markets yesterday. Domestic money rates were generally firmer as the Federal authorities kept market conditions tight. Short term Euro-dollar rates were slightly firmer—*the one-month* included a technical adjustment—despite a cut in prime rates by a couple of leading banks to 20 per cent. Longer term Euro-dollar rates reflected this fall with losses of up to half a point.

Sterling was sharply weaker, reflecting both an upturn in the dollar and selling in European centres, particularly from Paris.

European currencies showed little change with very little movement recorded within the European Monetary System. The French franc was steady and remained above the Belgian franc, Irish punt and Danish krone. The D-mark was the strongest currency.

DOLLAR — trade weighted index (Bank of England) fell to 106.9 from 107.1. The dollar recovered from the weaker trend seen over the weekend after Friday's further fall in U.S. money supply figures to finish little changed from the end of last week. Against the D-mark it closed at DM 2.3325 compared with DM 2.3300 and SwFr 2.0725 compared with SwFr 2.0750 in terms of the Swiss franc. The yen was firmer however and the dollar fell to Y222.25 from Y223.75. The French franc was also firmer with the U.S. unit slipping to FFr 5.5525 from FFr 5.5600.

STERLING — trade weighted index (Bank of England) fell to 98.3 from 98.9, having stood at 98.3 at noon and 98.7 in the morning. Against the dollar sterling opened at $2.0500-2.0610 *but fell steadily apart from a* brief recovery to $2.0775, to a low of $2.0570. It closed at a new two year low of $2.0575-2.0585, a fall of 1.2c. Against the French franc it fell to FFr 11.4250 from FFr 11.51 and DM 4.8025 compared with DM 4.8250 against the D-mark.

D-MARK—Strongest member of the European Monetary System but very weak against *the dollar, partly because the* sharp fall of the French franc had tended to pull down other EMS currencies. Renewed fears about Poland have also tended to depress the German unit but the recent rise in U.S. interest rates remains the major market factor—The D-mark was mostly firmer at yesterday's fixing in Frankfurt in quiet trading. The dollar was quoted at DM 2.3263 compared with DM 2.3274 on Friday, having recovered from earlier lows as Euro-dollar rates showed a firmer tendency. Sterling was fixed at DM 4.8030 down from DM 4.8190 on Friday while the Swiss franc eased to DM 1.1239 from DM 1.1240. Within the EMS, the French *franc* rose to DM 41.975 per FFr 100 from DM 41.97 but the Belgian franc slipped to DM 6.1320 from DM 6.1370 per BFr 100.

FRENCH FRANC—Very weak against other major currencies following the Socialist victory in the Presidential election. The determination of the Bank of France to defend the franc by way of intervention and a sharp rise in interest rates has led to an improvement against the dollar and within the EMS however—The French franc continued to improve in Paris yesterday and was fixed higher against most currencies. The dollar fell to FFr 5.5380 from FFr 5.5430 and sterling was lower at FFr 11.4310 compared with FFr 11.4930 on Friday. *Within the EMS*, the D-mark rose to FFr 2.3823 from FFr 2.3795 but the Belgian franc was lower at FFr 14.6010 per BFr 100 from FFr 14.6230.

THE POUND SPOT AND FORWARD

June 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.0570-2.0810	2.0575-2.0585	1.15-1.25c dis	−7.00	2.75-2.85dis	−5.44
Canada	2.4740-2.4980	2.4805-2.4815	1.40-1.50c dis	−7.01	3.90-4.05dis	−6.41
Nethlnd.	5.32-5.37	5.32¼-5.33¼	¾c dis-¼ dis	−1.13	¾ pm-⅝ dis	0.38
Belgium	78.05-78.75	78.20-78.30	30-40c dis	−5.37	80-90 dis	−4.35
Denmark	15.07-15.17	15.08½-15.09½	3¼-4¼ore dis	−3.08	8¼-10 dis	−2.49
Ireland	1.3020-1.3160	1.3040-1.3060	0.31-0.52c dis	−3.82	1.14-1.46dis	−3.98
W. Ger.	4.78½-4.83½	4.79¼-4.80¼	¼pf pm-⅜ dis	−0.31	⅛-⅜ dis	−0.31
Portugal	126.50-127.50	126.50-126.70	65-140c dis	−9.72	115-230 dis	−5.40
Spain	189.50-191.20	189.75-189.95	150-185c dis	−10.59	340-380 dis	−7.58
Italy	2,384-2,396	2,384½-2,386½	19-21 lire dis	−10.06	56¾-59¼ dis	−9.77
Norway	11.80-11.92	11.81-11.82	1¼-2¼ore dis	−2.03	2¾-4¼ dis	−1.14
France	11.40-11.59	11.42-11.43	11¾-12¾c dis	−12.34	26-27 dis	−9.28
Sweden	10.17½-10.25½	10.18-10.19	3¾-4¼ore dis	−4.64	8-9 dis	−3.34
Japan	455-460	457-458	1.90-1.60y pm	4.59	5.40-4.85 pm	4.48
Austria	33.80-34.15	33.85-33.90	4gro pm-2 dis	0.36	5 pm-5 dis	—
Switz.	4.25-4.30	4.26¼-4.27¼	1¼-¼c pm	2.11	3-2 pm	2.34

Belgian rate is for convertible francs. Financial franc 79.80-79.90. Six-month forward dollar 4.30-4.40c dis, 12-month 6.65-6.75c dis.

THE DOLLAR SPOT AND FORWARD

June 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.0570-2.0810	2.0575-2.0585	1.15-1.25c dis	−7.00	2.75-2.85dis	−5.44
Ireland†	1.5670-1.5830	1.5700-1.5800	0.30-0.50c dis	−3.06	0.35-0.65dis	−1.27
Canada	1.2013-1.2041	1.2038-1.2041	0.13-0.17c dis	−1.50	0.30-0.35dis	−1.08
Nethlnd.	2.5830-2.5920	2.5890-2.5920	1.50-1.40c pm	6.73	3.55-3.45 pm	5.41
Belgium	37.81-38.04	38.02-38.04	7-5c pm	1.89	8-5 pm	0.68
Denmark	7.3050-7.3255	7.3210-7.3225	2¼-2ore pm	3.48	5-4½ pm	2.59
W. Ger.	2.3180-2.3340	2.3320-2.3330	1.24-1.19pf pm	6.25	2.87-2.81 pm	4.87
Portugal	61.25-61.65	61.45-61.65	par-30c dis	−2.92	20pm-60dis	−1.30
Spain	91.85-92.17	92.10-92.15	20-35c dis	−3.58	45-65 dis	−2.39
Italy	1,154-1,159¼	1,158¼-1,159¼	4-5 lire dis	−4.66	13-15 dis	−4.83
Norway	5.7325-5.7390	5.7325-5.7345	2.55-2.05ore pm	4.81	5.90-5.40 pm	3.94
France	5.5330-5.5550	5.5500-5.5550	1½-2½c dis	−4.33	3¼-5 dis	−3.16
Sweden	4.9360-4.9550	4.9455-4.9475	1.15-0.95ore pm	2.55	2.50-2.30 pm	1.94
Japan	220.60-222.60	222.20-222.30	2.10-1.95y pm	10.93	5.25-5.10 pm	9.31
Austria	16.40-16.46	16.45-16.46	10.20-8.70gro pm	6.89	22.75-18.75pm	5.04
Switz.	2.0570-2.0740	2.0720-2.0730	1.57-1.47c pm	8.80	3.81-3.71 pm	7.26

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

June 1	Bank of England Index	Morgan Guaranty Changes%
Sterling	98.3	−27.8
U.S. dollar	106.9	+1.0
Canadian dollar	87.0	−17.7
Austrian schilling	112.2	+21.8
Belgian franc	106.1	+9.2
Danish kroner	86.3	−11.9
Deutsche mark	117.4	+38.8
Swiss franc	133.5	+77.4
Guilder	109.0	+14.0
French franc	83.2	−11.7
Lira	57.9	−55.5
Yen	143.1	+27.4

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

May 29	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	12	0.565426	0.528418
U.S. $	14	1.17015	1.09882
Canadian $	18.66	1.40839	1.31408
Austria Sch	6¾	19.2384	17.9624
Belgium F	13	44.4013	41.4776
Danish K	11	8.56257	7.99582
D mark	7½	2.72341	2.54346
Guilder	9	3.08601	2.88598
French Fr	9½	6.48614	6.05819
Lira	19	1363.86	1265.65
Yen	6¼	262.231	244.797
Norwgn. Kr	9	6.70496	6.27682
Spanish Pta	—	107.599	100.741
Swedish Kr	12	5.77595	5.39635
Swiss Fr	3	2.43614	2.28698
Greek Dr'ch	20½	[illegible]	66.0862

OTHER CURRENCIES

June 1	£	$		Note Rates
Argentina Peso	na	na	Austria	33.60-34.15
Australia Dollar	1.8040-1.8060	0.8765-0.8770	Belgium	79.60-80.30
Brazil Cruzeiro	177.11-178.11	86.60-86.23	Denmark	15.06-15.21
Finland Markka	8.96-8.97	4.3560-4.3580	France	11.40-11.50
Greek Drachma	116.784-118.782	56.55-56.75	Germany	4.79½-4.83½
Hong Kong Dollar	11.24-11.26	5.4580-5.4610	Italy	2340-2390
Iran Rial	163.80*	78.60*	Japan	457-463
Kuwait Dinar(KD)	0.574-0.580	0.2780-0.2785	Netherlands	5.32-5.37
Luxembourg Frc.	78.20-78.30	38.02-38.04	Norway	11.80-11.93
Malaysia Dollar	4.6510-4.6410	2.2460-2.2480	Portugal	124-137
New Zealand Dlr.	2.3545-2.3595	1.1435-1.1455	Spain	186-196
Saudi Arab. Riyal	7.00-7.06	3.3900-3.3920	Sweden	10.18-10.28
Singapore Dollar	4.4375-4.4575	2.1510-2.1530	Switzerland	4.25½-4.29½
Sth. African Rand	1.7430-1.7460	0.8470-0.8480	United States	2.05½-2.06½
U.A.E. Dirham	7.59-7.65	3.6705-3.6725	Yugoslavia	73-83

Rate given for Argentina is free rate. * Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU June 1	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	40.7985	41.4483	+1.59	+1.29	±1.5361
Danish Krone	7.91917	8.00038	+1.03	+0.73	±1.6413
German D-Mark	2.54502	2.54175	−0.13	−0.43	±1.1368
French Franc	5.99526	6.05470	+0.99	+0.69	±1.3638
Dutch Guilder	2.81318	2.82556	+0.44	+0.14	±1.5159
Irish Punt	0.685145	0.693529	+1.22	+0.92	±1.6688
Italian Lira	1262.92	1265.68	+0.22	−0.22	±4.1116

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

June 1	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.059	4.803	457.5	11.425	4.268	5.335	2385.	2.481	78.25
U.S. Dollar	0.486	1.	2.334	222.3	5.553	2.074	2.591	1159.	1.206	38.03
Deutschemark	0.208	0.429	1.	95.26	2.379	0.889	1.110	496.7	0.517	16.29
Japanese Yen 1,000	2.186	4.498	10.50	1000.	24.97	9.328	11.66	5214.	5.423	171.0
French Franc 10	0.875	1.801	4.204	400.4	10.	3.735	4.667	2088.	2.172	68.49
Swiss Franc	0.234	0.482	1.125	107.2	2.677	1.	1.250	559.0	0.581	18.34
Dutch Guilder	0.188	0.386	0.901	85.79	2.143	0.800	1.	447.4	0.465	14.67
Italian Lira 1,000	0.419	0.863	2.013	191.8	4.789	1.789	2.235	1000.	1.040	32.80
Canadian Dollar	0.403	0.830	1.936	184.4	4.605	1.720	2.149	961.5	1.	31.54
Belgian Franc 100	1.278	2.630	6.137	584.7	14.60	5.454	6.815	3049.	3.171	100.

FT LONDON INTERBANK FIXING (11.00 a.m. JUNE 1)

3 months U.S. dollars		6 months U.S. dollars	
bid 17 1/2	offer 17 5/8	bid 16 11/16	offer 16 15/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

June 1	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	11½-11¾	17¾-18	18-19	11⅝-11⅞	¾-1¼	11⅛-11⅜	21-22	18-20	15-17	6-6½
7 days' notice	11¾ 12	17⅞-18⅛	18-19	11¹¹⁄₁₆-12³⁄₁₆	5-5½	11⅝-11⅞	22-24	20-22	15-17	6¼-6¾
Month	12⅛-12¼	18½-18¾	18⅝-19	11¹³⁄₁₆-12³⁄₁₆	9½-9⅝	12¼-12⅜	23-24	21⅝-22⅞	16¼-17	7⅛-7⅜
Three months	12⅛ 12⅝	17½-17¾	18⅜-18¾	12¹⁄₁₆-12⁵⁄₁₆	9½-10¹⁄₁₆	12⅝-12¾	20¾-21¾	21¾-22¾	16¾-17¾	7⅝-7⅞
Six months	12¹⁄₁₆-12⁵⁄₁₆	16¹⁵⁄₁₆-16¹⁵⁄₁₆	17⅝-17¾	12¹⁄₁₆-12⁵⁄₁₆	10-10⅛	12¹¹⁄₁₆-12¹⁵⁄₁₆	18¾-19½	21½-22⅛	16-17	7¾-8
One Year	12¾-13	16⅛ 16⅝	16⅞-17⅛	12¹⁄₁₆-12⁵⁄₁₆	9¼-9⅝	12¾-12⅞	17¼-18	21-22	16-17	8¼-8½

SDR linked deposits: one-month 15¼-15½ per cent; three-months 15-15⅜ per cent; six-months 14³⁄₁₆-14⁷⁄₁₆ per cent; one-year 14¼-14½ per cent.
ECU linked deposits: one-month 15⅜-15¾ per cent; three-months 15⁵⁄₁₆-15¹¹⁄₁₆ per cent; six-months 14⅞-15⅛ per cent; one-year 14⁷⁄₁₆-14¹³⁄₁₆ per cent.
Asian $ (closing rates in Singapore): one-month 18¼-18⅜ per cent; three-months 17⅜-17½ per cent; six-months 16⅝-16¾ per cent; one-year 16³⁄₁₆-16⁵⁄₁₆ per cent. Long-term Eurodollar two-years 16-16½ per cent; three-years 16-16⅜ per cent; four-years 15⅞-16⅛ per cent; five-years 15⅞-16⅛ per cent; nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice.
The following nominal rates were quoted for London dollar certificates of deposit: one-month 17.35-17.45 per cent; three-months 17.25-17.35 per cent; six-months 16.30-16.40 per cent; one-year 15.80-16.00 per cent.

INTERNATIONAL MONEY MARKET

Europe rates mixed

German call money was around 12 per cent yesterday, in line *with the Bundesbank special* Lombard rate. Funds are expected to remain at that level in the coming month as excess liquidity is matched by major half-yearly tax payments.

In Brussels interest rates on Treasury certificates fell ½ per cent to 16½ per cent for one-month, two-month and three-month paper.

In Zurich major Swiss banks raised interest rates on medium-term notes to a uniform 6 per cent from Thursday. The present rates are 5¼ per cent for three to four years; 5½ per cent for five to six years; and 6 per cent for seven to eight years. This reflects the upward trend in international interest rates, and counters recent moves into higher yielding short-term *investments after increases in* time deposit rates.

In Tokyo the Bank of Japan is expected to drain money market liquidity this week to prevent the interest rate gap widening between Japan and the U.S. Conditions are expected to remain comfortable thanks to the continued flow of Government disbursements, but may *tighten later in the month.* The authorities absorbed funds throughout last week, and interest rates were generally *unchanged, with the three-month* bill discount rate steady at 7.46875 per cent. Call money fell to 6.9375 per cent from 7 per cent yesterday.

In Singapore tight money *market* conditions have led to a round of prime rate increases. Some small banks raised their rates to 13 per cent, but the *trend* among major banks appears to be for a ½ per cent increase to 12½ per cent.

GOLD

Firmer tendency

Gold rose by $3 an ounce in the London bullion market yesterday to close at $481-484. It opened at $480-483 and traded within a fairly narrow band in quiet trading. Indications that *U.S. interest rates may be on* the downturn may have prompted a slight improvement although in such a thin market only small interest was needed *to push the metal firmer.*

In Paris the 12½ kilo bar was fixed at FFr 96,000 per kilo ($539.16 per ounce) in the afternoon compared with FFr 95,200 ($539.16 per ounce) in the afternoon *FFr 94,200 ($528.58) on Friday* afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 35,900 per kilo ($480.30 per ounce) against DM 35,880 ($479.97) previously and closed at $482-485 against $478-481 on Friday.

	June 1		May 29	
Gold Bullion (fine ounce)				
Close	$481-484	(£233½-235)	$478-481	(£230¾-232¼)
Opening	$480-483	(£231¼-232¾)	$478-481	(£230¼-231¾)
Morning fixing	$481.25	(£232.284)	$478.75	(£230.834)
Afternoon fixing	$483.25	(£234.496)	$479.25	(£231.187)
Gold Coins				
Krugerrand	$496-497	(£240¾-241¼)	$493½-494½	(£238½-239)
1/2 Krugerrand	$255¼-256¾	(£124-124½)	$254½-255½	(£123-123½)
1/4 Krugerrand	$130½-131½	(£63¼-63¾)	$129¾-130¾	(£62¾-63¼)
1/10 Krugerrand	$53¼-54¼	(£25¾-26¼)	$53-54	(£25½-26)
Mapleleaf	$486½-488½	(£236-237)	$488½-489½	(£236-236½)
New Sovereigns	$120¼-121	(£58¼-58¾)	$119¾-120½	(£57¾-58¼)
King Sovereigns	$127-129	(£61¾-62¾)	$127-129	(£61¼-62¼)
Victoria Sovs	$127-129	(£61¾-62¾)	$127-129	(£61¼-62¼)
French 20s	$136-141	(£66-68½)	$135-141	(£65¼-68)
50 pesos Mexico	$593-603	(£287¾-292½)	$593-599	(£286½-289½)
100 Cor. Austria	$462-472	(£224¼-229)	$460-466	(£222¼-225¼)
$20 Eagles	$579-587	(£281-284¼)	$586-593	(£284-286½)

UK MONEY MARKET

Small help

Bank of England Minimum Lending Rate 12 per cent (from March 10 1981)

An adequate supply of day-to-day funds was expected in the *London money market yesterday,* but in the event the authorities gave assistance on a small scale by buying eligible bank bills from the discount houses.

Banks brought forward small surplus balances and there was *a small reduction in the note* circulation, but the market was faced with a moderate number of bills maturing in official hands, and a moderate excess of revenue payments to the Exchequer over Government *disbursements.*

Discount houses paid up to 11¾ per cent for secured call loans, with late balances taken at around 10 per cent. Buying rates for three-month eligible bank bills were steady at 11¼ per cent.

MONEY RATES

NEW YORK	
Prime Rate	20-20½
Fed. Fund	18½-19
Treasury Bills (13-week)	15.05
Treasury Bills (26-week)	14.09
GERMANY	
Special Lombard	12
Overnight Rate	12
One month	12.95
Three months	13.35
Six months	13.40
FRANCE	
Intervention Rate	22
Overnight Rate	20
One month	—
Three months	—
Six months	—
JAPAN	
Discount Rate	6.25
Call (Unconditional)	6.9375
Bill Discount (three-month)	7.46875

LONDON MONEY RATES

June 1 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	10-11⅞	11¾	—	—	11¾-12	10-11⅝	—	—	—
2 days notice	—	—	11¾-11⅞	—	—	—	—	—	—	—
7 days or ...	—	—	—	—	—	—	—	—	—	—
7 days notice	—	11⅞-12	11⅞-12⅛	—	12¼	12-12¼	11¼-11⅝	—	—	—
One month	12¹⁄₁₆-12³⁄₁₆	12⅛-12¼	12⅛	13⅛-12⅞	12⅜	12⅜	11½	11⅝-11½	11¾-11⅝	12½
Two months	12⅛ 12⁵⁄₁₆	12¼-12⅜	—	13¼-12⅞	12⅝	12¾	11⅝	11½	11¾-11⅝	12½
Three months	12¹¹⁄₁₆ 12½	12⅞-12⅝	12⅜-12⅛	13¼-12⅞	12⅞	12¾-12⅞	11¾	11½	11⅝	12½
Six months	12⅝-12¹³⁄₁₆	12⅞ 12¾	12⅛-12⅝	12⅛-12¼	13	13	—	—	11¾-11⅝	12¼
Nine months	12⅝-12⅞	12¹⁵⁄₁₆ 12¹³⁄₁₆	—	13⅝-13	13⅛	13	—	—	—	—
One year	12¾-12⅝	12⅞-13	13	13⅛-12⅞	13⅛	13¼	—	—	—	—
Two years	—	—	13¼	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 13½-13¾ per cent; four years 13⅞-13¹⁵⁄₁₆ per cent; five years 13¹⁵⁄₁₆-14 per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 11⅝-11¹¹⁄₁₆ per cent; four-months trade bills 12½ per cent.

Approximate selling rate for one-month Treasury bills 11⁷⁄₁₆-11¹⁷⁄₃₂ per cent; two-months 11²³⁄₃₂ per cent; three-months 11¹³⁄₃₂ per cent. Approximate selling rate for one-month bank bills 11²¹⁄₃₂-11²³⁄₃₂ per cent; two-months 11²³⁄₃₂-11¾ per cent; three-months 11²³⁄₃₂-11¹¹⁄₁₆ per cent; one-month trade bills 12¼ per cent; two-months 12¼ per cent and three-months 12¼ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 12½ per cent from June 1, 1981. Clearing Bank Deposit Rates for sums at seven days' notice 9 per cent. Clearing Bank Rates for lending 12 per cent. Treasury Bills: Average tender rates of discount 11.4452 per cent.

$100m Eurocredit for East German trade bank

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

DEUTSCHE AUSSENHANDELSBANK, East Germany's foreign trade bank, is raising $100m in the Euromarket, its first syndicated loan since a $250m five-year credit launched through Credit Lyonnais and Bank of Tokyo in January.

The latest operation is again being led by a French and a Japanese bank, Banque Nationale de Paris and Nippon Credit. As with the previous credit it bears a margin of ⅝ per cent over Libor and a maturity of five years.

It comes at a time, however, when international banks remain very cautious about lending to Eastern Europe because of slow progress in resolving the Polish debt problem.

The January credit obtained a market sell-down of only about 20 per cent because of this factor and it is understood that the new credit is for a somewhat lower amount than originally envisaged by the borrower.

A number of Japanese banks are said to be keen to lend to East Germany in support of Japanese trade with that country, and this should help the credit. The Ministry of Finance in Tokyo is understood to have given permission for 50 per cent of the operation to be taken up by Japanese institutions.

The credit is being put into syndication rather than being arranged on a limited "club" basis, although the relatively modest amount means that a broad syndication will not be necessary.

U.S. banks, which for political reasons have become extremely hesitant about East European business, are not expected to participate.

Japanese securities firms to merge

By Our Financial Staff

TWO MERGER agreements involving several securities companies in Japan have been reached in preparation for the internationalisation of Japanese securities markets.

Securities Company, Toyoma Securities and Nikko Securities Investment Trust Sales, said they have signed a pact to merge equally on October 1 to form Tokyo Securities. The three companies are affiliates of Nikko Securities.

In preparation for the move Tokyo Securities will boost its capital by 17 per cent to Y1.17bn ($5.2m), Toyoma 2¼ times from Y360m and Nikko Securities Investment Trust will double its capital to Y600m.

Yesterday, two small affiliates of Yamaichi Securities—Kobuse and Toriumi—agreed to merge on October 1 to consolidate their business. Earlier last month three other securities companies in the Nomura group, Yachiyo, Koa and Nomura Securities Investment Trust Sales, announced their merger plans.

Arab banks channel more funds to Third World

BY OUR EUROMARKETS CORRESPONDENT

ARAB BANKING institutions are starting to play a significant role in channelling international finance to non-oil developing countries, according to the U.S. bank, Morgan Guaranty Trust.

The latest issue of the bank's review, World Financial Markets, says that Arab institutions appeared as lead or co-lead managers in nearly one-third of all publicised Euroloans to non-oil developing countries during the first four months of this year.

The bank estimates that by volume, Arab institutions provided about $1.3bn in new finance to these countries during the period, for a share of some 12 per cent of the total lent by all international banks.

This growing share is one of two major factors which have eased the financing problem of the Third World so far in 1981, Morgan says. The other is increased lending by the International Monetary Fund. Its $14.6bn in loan commitments since the beginning of 1980 is nearly as much as the cumulative amounts committed during the preceding seven years.

But Morgan Guaranty warns that the high level of U.S. interest rates has begun to weigh heavily on the financial position of non-oil developing countries.

Each increase in Eurodollar rates of 1 percentage point adds $1.3bn to the total debt service charges of the world's 12 most heavily borrowed developing countries.

By contrast, a 1 per cent rise in the oil price adds $400m to their import bill, and there are strong indications that the oil price should remain relatively stable over the next 18 months, it says.

CURRENT ACCOUNT PAYMENTS ESTIMATES($bn)

	1980	1981	1982
OPEC	111	105	78
Industrial countries	−46	−35	−21
Non OPEC developing countries	−76	−85	−75

Source: Morgan Guaranty Trust

Eurodollar bonds hit by profit taking

By Our Euromarkets Correspondent

FIXED INTEREST Eurodollar bond prices were subject to a wave of profit-taking yesterday afternoon, erasing gains of up to 1 point which had been scored in early trading.

Dealers said the initially optimistic tone stemmed from a belief that U.S. interest rates may be headed lower—six month Eurodollar deposit rates yesterday shed about ⅛ point to 16⅞ points—as well as the latest fall in the U.S. money supply.

But a lower opening in the New York bond market coupled with fears of imminent Eurodollar bond issues, undermined sentiment later. In the event the most hotly rumoured new issue for a French state borrower did not materialise.

Eulabank, the Latin American orientated consortium bank, is meanwhile raising $25m in the floating rate note market through an eight-year issue at a margin of ¼ per cent over six month Libor, led by Banque Nationale de Paris (BNP) and Barclays. BNP's own FRN launched last week has been raised to $225m from $200m.

In the guilder sector, Amro Bank is making a private placement on its own behalf of Fl 75m over five years with a coupon of 12 per cent and issue price par.

In both Germany and Switzerland supporters of the view that U.S. interest rates may have peaked held sway in the bond markets.

D-mark foreign bonds gained about ¼ of a point on the day, prompting speculation that Deutsche Bank might decide to bring the awaited issue for the European Investment Bank to the market shortly.

But some bankers still expressed uncertainty as to the duration of the market's recovery and noted that what trading there was yesterday was selective and confined to professional dealers.

Optimism over U.S. rates allowed the Swiss market to shrug off a new increase in bank medium-term note rates, which now stand at 6 per cent in all maturities.

Normally such a development would have tended to weaken bond prices, but in the event Swiss franc foreign bonds finished yesterday little changed in very light trading.

Dealers noted a continuing selectivity on the part of investors. The new Nippon Telegraph 7¼ per cent issue entered secondary market trading yesterday at 101¼ whereas the recent Asian Development Bank 7¾ per cent bonds were languishing at 97¾ per cent.

$770m OFFER APPROVED BY MEAT PROCESSOR

Occidental bids for Iowa Beef

BY IAN HARGREAVES IN NEW YORK

OCCIDENTAL PETROLEUM, the large U.S. oil company, yesterday bid $770m in shares for IOWA Beef Processors, the biggest beef slaughterer in the U.S.

Although the proposal appears somewhat eccentric, it has the support of both company boards. Occidental said it viewed Iowa Beef as a good fit for its increasing activities in the farming sector, chiefly through its interests in fertilisers and plant microbiology, which have recently been reorganised into a separate subsidiary.

Iowa Beef is also attractive financially in that it has a very strong balance sheet — debt of $61.3m against equity of $290.4m — and is in the middle of a period of strong profits growth and expansion.

The $77 per share valuation of the Occidental offer, however, to be made through mixture of Common and preferred stock, is substantially above market value, however.

Iowa Beef shares closed on Friday at $58⅛, their highest level for the year, but re-opened at $64⅜ after the bid was announced. Occidental shares were marked down yesterday by slightly more than $1 to $27.75.

Each side will have the option to call off the deal if certain stock price criteria are not met. Occidental can back out if its stock exceeds $33 per share in the 10 days before the deal is closed. Iowa Beef can pull if the oil company's stock falls below $25 per share in the same period.

Iowa Beef is one of the younger and more aggressive companies in the meat processing business. It earned $26.2m on sales of $2.4bn in the first half of its current year, enjoying a sharp increase in margins as a more rapid rate of slaughtering of stock by U.S. farmers took place.

The company has also recently announced its intention to enter the pork processing field and says it likes the Occidental proposal for the increased experience this will bring foreign markets.

Iowa Beef already exports to Europe, but believes it can increase its sales of beef products, such as kidneys and tongue, which are not popular in the U.S. market.

Based, in spite of its name, in Dakota City, Nebraska, Iowa Beef would continue to function as an autonomous company under existing management, both sides said.

Mr David Murdock, chairman of Pacific Holding Corporation, which in 1978 bid $60 per share for Iowa Beef and still owns 19 per cent of the company's said he would tender his shares in the merger.

Borg to cut Aisin-Warner stake

BY OUR NEW YORK STAFF

BORG-WARNER, the large U.S. industrial company, yesterday announced that it would cut from 50 per cent to 10 per cent its stake in a joint venture with Aisin Seiki, a motor components company in Japan which is a large supplier to Toyota.

Borg-Warner, which did not say what it would be paid for the surrendered equity interest, said that Aisin had wanted to take a majority stake in Aisin-Warner for some time and that it was merely responding to a request.

The joint venture turns out 700,000 automatic transmissions a year for Toyota.

Borg-Warner said its holding in seven other joint ventures in Japan—all at the 49 to 50 per cent level—were not affected by the agreement with Aisin. These other ventures involve motor parts, chemicals, plastics and pumps.

The U.S. company will retain 10 per cent of Aisin Warner and will continue to be represented on the company's board. This would allow Borg-Warner, the company said, to continue to offer technology to the joint venture.

Borg-Warner said it and Aisin Seiki have agreed to continue the licence agreement for Aisin Warner for another 10 years.

Borg-Warner draws about one third of its sales from the transportation equipment industry, but suffered a loss in this area in 1980.

The board hopes for a recovery in its transportation business this year, but group sales for the first quarter showed a marginal fall, with the manufacturing industry division down 12.3 per cent.

Du Pont in research move

By Our New York Staff

E.I. DU PONT de Nemours is to move much of the research, marketing and administrative work of its Endo Laboratories subsidiary from Long Island, New York, to the company headquarters in Wilmington, Delaware, in an effort to intensify the application of its research activities in life sciences and pharmaceuticals.

Mr. Hazen Richardson, general manager for pharmaceuticals, said the company planned to double its professional research and development (R and D) staff in pharmaceuticals by 1985 and that the consolidation of Endo staff was part of this process.

Du Pont, in common with numerous other chemical companies, is making a big push to apply the emergent science of biological or genetic engineering, in a wide range of areas, from drugs to agricultural products.

Sharp recovery at Ideal Toy

By Our Financial Staff

OVERSEAS operations played a major role in a sharp recovery in profits at Ideal Toy in the opening quarter of this year. Ideal, a leading U.S. manufacturer of toys and games which suffered heavily in the setback in the industry in the past few years has subsidiaries in the UK, West Germany, France and Hong Kong and affiliates in Canada, Japan, Australia and New Zealand. It drew more than 70 per cent of its earnings from abroad in 1979-80.

Earnings jumped from $64,000 to $905,000 or 23 cents a share in the first quarter of this year with sales up strongly to $35.9m against $21.7m.

"The significant improvement in earnings primarily stems from our expanding foreign operations, although domestic sales and earnings also improved," said Mr Lionel A. Weintraub, the chairman.

Texas Instruments to pull out of some businesses

BY OUR FINANCIAL STAFF

TEXAS INSTRUMENTS, a leading semiconductor and electronics group, is to withdraw from several business areas and shed about 3 per cent of its labour force as a result of continuing weak world demand for semiconductor and consumer products.

The company said there had been little recent improvement in the company's short-term outlook and that the cost of phasing out various activities and redundancy payments would further depress second-quarter earnings.

In April the company reported a drop in net profits from $50.3m to $34.2m for its first quarter, despite a $100m increase in sales to $1.06bn.

The company said the main factors affecting demand included high U.S. interest rates, excess capacity in metal oxide semiconductors and the economic recession in Europe.

The businesses it intends phasing out are those in which returns are inadequate and where prospects for future returns are felt to be insufficient to justify continued investment.

Activities to be phased out include liquid crystal displays, magnetic bubble memories, plasma panel displays, its Tisco distribution operations in the U.S., appliance electronics and selected lines of low-margin discrete semiconductors.

The company intends to scale down digital watch operations to prepare for a withdrawal from this business.

The plans will lead to 2,800 employees being laid off, although the company says this should result in full-time work for the roughly 10 per cent of workers currently on short time. This should be achieved by the third quarter, barring any further weakening of demand.

Continental Air delay

LOS ANGELES — Continental Air Lines has agreed to delay until June 18 the possible implementation of a plan by its employees to take control of the carrier.

Continental said it agreed to delay the employees stock ownership plan at a court hearing last Friday, at which Texas Air Corporation requested a preliminary injunction against it. Texas Air owns 48.5 per cent of Continental and is continuing a prolonged battle to seek control of Continental.
Reuter

Middle East Air in black

By Michael Donne, Aerospace Correspondent

DESPITE THE difficulties in Lebanon, the country's flag airline, Middle East Airlines, made a profit of Lebanese £9m (more than $2.5m) last year.

Mr Asad Nasr, chairman, pointing out that this was less than in 1979, said it was nevertheless "satisfactory when viewed against the prevailing unfavourable global and regional conditions as well as the persistently unsettled situation in the Lebanon."

The year was difficult as a whole world-wide, with major fuel cost increases, high rates of inflation, economic recession and the instability of currencies.

The major re-equipment programme begun in 1978 was completed in 1980, when a decision was taken to buy five A-130 wide-bodied Airbuses with an option on another 14.

The airline is now studying the possibilities for expanding its network, especially by the introduction of long-haul routes, perhaps jointly with other airlines.

Studies had shown that "expansion of the network is of major importance to the future of MEA, especially in view of the relative stagnation of current markets and routes."

Simpsons Sears ahead

By Robert Gibbens in Montreal

SIMPSONS-SEARS, the Canadian department store chain and its largest mail order operator, improved its performance in the first quarter ended May 6.

The joint venture of Sears Roebuck of Chicago and Hudsons Bay of Toronto reported net profits of C$4.1m (U.S.$3.4m), against C$3.1m on sales of C$700m, against C$609m.

Calendar 1980 was poor for Canadian merchandising. Simpson-Sears earned 58 cents per share for the fiscal year ended January 31, 1981, against 85 cents a year earlier.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Thursday June 11.

Closing prices on June 1

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Am. Air. 15⅜ 86 (WW)	55	100⅜	100⅞	−0⅛	+0⅛	15.01
Amoco 13⅞ 88	75	95½	96	+0⅞	+2	14.23
CIBC 14½ 84	185	99⅛	99⅜	+0½	+0⅜	15.12
CNE 12⅜ 91	100	89⅜	89⅞	+1⅛	+2⅛	14.80
Citicorp O/S Fin. 10 86	300	85⅜	85⅞	+1⅛	+3	14.14
Citicorp O/S Fin. 12 87	200	90⅞	91⅛	+1⅛	+3⅜	14.19
Con. Illinois O/S 9¾ 86	150	83⅛	83⅜	+1⅛	+2⅛	14.59
Dupont Canada 13½ 91	65	96	96½	+1⅛	+3⅜	14.20
EEC 11 95 (August)	70	78⅜	79⅜	+1⅜	+4	14.66
EIB 12¾ 89	75	90⅜	90⅞	+1⅛	+1⅛	14.82
Eldorado 13¾ 86	50	94⅞	94⅞	+1⅛	+0⅞	14.85
Elec. de France 10 88	125	79⅛	80⅛	+0½	+1⅛	14.72
Elec. de France 13 88	125	92⅛	92⅝	+0½	+1⅛	14.83
Export Dv. Cpn. 9⅝ 86	150	82½	83	+1	+2⅜	14.87
Fed. Bs. D. 12⅝ 85 (N)	50	92⅜	92⅞	+0⅞	+1⅛	14.55
Fin. Exp. Credit 10½ 85	50	84	84½	−0⅛	−0⅛	16.03
Finland, Rep. of 9½ 86	100	80⅛	80⅝	+0⅛	+1⅛	15.58
Ford Credit O/S 14⅝ 83	150	98⅛	98⅝	+0⅛	+0⅛	15.32
Ford Cr. O/S Fin. 16 84	150	102⅞	103⅜	+0⅜	+1½	14.42
Gaz de France 13½ 86	80	96⅜	96⅞	+1⅛	+2	14.49
GMAC O/S Fin. 12 87	100	89	89½	+0⅞	+2	14.67
GMAC O/S Fin. 12⅞ 88	100	91⅛	91⅝	+0⅛	+0⅜	14.93
Gen. Mtrs. O/S 11⅜ 87	100	88⅜	88⅞	+0⅜	+3	14.49
Genstar 14⅝ 91	50	98⅜	99⅛	+0⅛	+0⅛	14.93
GTE Fin. 13⅝ 88 (WW)	50	96⅜	96⅞	+0⅞	+0⅛	14.74
Hudson's Bay 11½ 90	75	84⅞	85⅜	+1⅜	+2⅜	14.56
IBM Wld. Trade 12½ 88	200	97½	98	+1½	+2⅞	12.99
Newfoundland 13½ 90	60	93	93½	+1⅛	+2	14.89
Nova Scotia 10⅝ 90	50	82⅛	82⅝	+1⅛	+2⅜	14.31
OKB 10 85	50	85⅜	85⅞	+0½	+0⅛	14.79
Ontario Hydro 13½ 91	100	95⅛	95⅝	+1⅛	+2⅛	14.38
Quebec Hydro 11½ 92	100	82⅛	82⅝	+1⅛	+2⅜	14.81
Queb. Hy. 13 91 (WW)	100	88⅞	89⅜	+0½	+0⅛	15.17
Royal Bk. Canada 14 86	100	98⅜	98⅞	+1⅛	+0⅜	14.46
SNCF 12⅝ 85	50	93⅜	93⅞	+0½	+1⅛	14.60
SNCF 13 91	75	91⅝	92⅛	+1⅛	+1	14.58
Sth. California Ed. 14 87	50	97½	98	+0⅞	+0⅞	14.56
Sven Handelsbk. 13⅝ 88	45	93	93½	+0½	−0⅛	15.38
Sweden 12⅝ 85	150	91½	92	+0⅛	+1⅛	15.06
Swed. Ex. Credit 12 83	50	93⅛	93⅝	+0½	+0⅝	15.42
Swed. Ex. Credit 13 86	75	90⅝	91⅛	+0½	−0⅛	15.82
Toronto-Dom. Bk. 14 84	50	97⅛	97⅝	+0⅛	−0⅛	15.14
Tribune O/S Fin. 14 86	50	96⅛	96⅝	+0⅛	+0⅞	15.07
World Bank 9⅜ 85	200	85	85½	+0½	+0½	14.86
World Bank 10⅛ 87	300	83⅜	84⅛	+1⅞	+1⅞	14.42

Average price changes... On day +1 on week +1⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 10 91	100	97⅜	97⅞	+0⅛	−0⅜	10.41
Austria, Rep. of 8¾ 92	150	85⅛	85⅞	+0⅜	−1⅛	10.48
CECA 7⅞ 92	150	†85½	86	−0⅞	−1⅛	10.03
CECA 10 91	120	†98½	99⅛	0	−1⅛	10.17
Cii-Honeywell 8⅝ 90	125	†88½	89⅛	0	−1⅞	10.30
Council of Europe 10 91	100	97⅜	98⅛	+0⅛	−1	10.32
EIB 8½ 90	200	87⅞	88⅜	0	−1	10.51
EIB 10½ 91	200	†99⅜	100½	0	−1	10.47
ESCOM 9⅜ 87	100	91⅛	91⅞	+0⅛	−1⅛	11.15
Finland, Rep. of 10 88	100	97⅛	97⅝	+0⅛	−0⅛	10.50
Iberduero SA 9 90	100	†89⅛	90	−0⅛	−2⅛	10.83
Ind. Bk. Finland 8½ 90	50	†88	88⅛	0	−1⅞	10.48
Int.-Am. Dv. Bk. 10 91	100	†99	99⅛	0	0	10.09
Japan Air Lines 8⅜ 87	100	89⅞	90⅛	+1⅛	−1⅛	10.24
Japan Dev. Bank 7⅝ 87	100	85⅞	86⅛	+0⅛	−3	10.74
Kobe, City of 8 90	100	85½	86⅛	+0⅛	−3⅛	10.48
Midland Int. Fin. 8½ 90	150	88⅜	89⅛	+0½	−1⅛	10.37
Nuclebras 9⅜ 88	100	†88	88⅛	−0⅛	−0⅛	12.22
OKB 8⅛ 92	150	†84⅛	85½	+0⅛	−1½	10.59
Oslo, City of 8⅝ 90	80	91⅛	92½	+0⅛	−2⅜	10.14
Venezuela, R. of 8⅝ 90	150	92⅛	93⅛	+0⅜	−0⅛	10.96
World Bank 8 90	700	84⅛	85	0	−1⅞	10.70
World Bank 10 86	150	99⅜	100⅛	−0⅛	−1	10.06

Average price changes... On day +0⅜ on week −1½

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aeroport Paris 6¼ 91	80	93	93¾	0	−1¾	7.51
BFCE 6½ 91	100	94⅛	94½	0	−1⅛	7.32
Bayst Int. Fin. 5½ 92	100	88	88⅛	0	−0⅛	6.79
Bergen, City of 6½ 91	40	[illegible]	[illegible]	[illegible]	[illegible]	7.00
Bkmn.-Tettarode 7 90	40	[illegible]	[illegible]	[illegible]	[illegible]	7.27
CECA 6¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CECA 6¼ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 5¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dome Petroleum 5¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Elf. de France 6¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Eurofima 5¾ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F. G. H.-Hypo. Bk. 6 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland, Rep. of 5¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France, Petroles 6½ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gestar 7 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Int.-Amer. Dv. Bk. 7 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan Dev. Bank 5¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mt. Blanc Tunnel 5¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway 5¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKB 7 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oslo, City of 5¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Philips Lamps 5¾ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed. Ex. Cred. 7¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trade Dev. Fin. 6¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Voest-Alpine 5¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 6 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 7 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day 0 on week 0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8⅝ 91	15	[illegible]	[illegible]	[illegible]	[illegible]	8.51
Australia 8⅝ 88	20	[illegible]	[illegible]	[illegible]	[illegible]	8.43
EIB 7⅝ 89	12	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland 5.8 83	10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland 8.8 88	12	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland, Rep. of 8⅝ 87	15	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day 0 on week −0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10¾ 85 C$	60	[illegible]	[illegible]	[illegible]	[illegible]	14.36
CIBC 13⅝ 85 C$	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CIBC 11⅞ 85 C$	60	[illegible]	[illegible]	[illegible]	[illegible]	15.44
Federal Dev. 11⅞ 90 C$	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fst. Can. Inv. 10 84 C$	50	[illegible]	[illegible]	[illegible]	[illegible]	13.00
R. Bk. Canada 10 85 C$	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tordom Cpn. 13⅝ 85 C$	30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

(continued)	Issued	Bid	Offer	Change on day	Change on week	Yield
M. Bk. Dnmk. 9 91 EUA	25	89⅛	90½	0	−0½	10.59
SOFTE 8⅝ 89 EUA	40	87⅛	88½	0	−1⅛	10.59
U. Bk. Nwy. 9½ 90 EUA	18	96	97⅛	0	−0⅛	10.08
Algemene Bk. 10⅛ 86 Fl	60	95½	95⅞	+0⅛	−0⅞	11.47
Bk. Mees & H. 10 85 Fl	75	94⅛	94⅞	−0⅛	−1½	11.68
Heineken NV 10 87 Fl	100	93⅛	94⅛	+0⅛	−0⅛	11.40
Nat. Nedrlndn. 10 88 Fl	60	93⅛	93⅞	+0⅛	+0⅛	11.39
Ned. Midd. Bk. 10 85 Fl	75	94⅛	94⅞	+0⅛	−1⅛	11.63
Pierson 10⅛ 86 Fl	50	94⅞	95⅛	0	−1⅛	11.81
Air France 14½ 86 FFr	200	92⅞	93⅞	+0⅛	−2	16.55
Bk. America 14½ 86 FFr	250	92⅛	93⅛	0	−1⅛	16.79
Charb'nages 13⅞ 85 FFr	400	91⅛	92⅛	+0⅛	−1½	16.47
EIB 14⅛ 88 FFr	300	90⅞	91½	+0⅛	−1⅞	16.39
La Redoute 14⅛ 85 FFr	125	90⅛	91⅛	+0⅛	−2	17.20
OKB 14 86 FFr	400	91	92	−0⅛	−1⅛	16.68
Solvay et C. 14⅛ 86 FFr	200	99	100	0	−1	14.85
Swed. Ex. C. 14⅛ 86 FFr	250	92⅛	93⅛	0	−0⅞	16.76
U. Mex. Sts. 14 85 FFr	150	92½	93½	0	0	16.53
Acona 14 85 £	20	94⅛	95⅛	+0⅛	−0⅛	15.67
Beneficial 14⅛ 90 £	20	89⅛	90	0	−1	16.42
BNP 13½ 91 £	15	92⅛	93	+0⅛	−0⅛	14.95
CECA 13½ 88 £	20	93½	94⅛	+0⅛	−0⅞	14.87
Citicorp O/S 13½ 90 £	50	94⅛	94⅞	+0½	+0⅛	14.59
Fin. Ex. Cred. 13⅛ 86 £	15	94⅞	95⅛	0	−0⅛	15.17
Gen. Elec. Co. 12½ 89 £	50	90⅛	91	+0⅛	−1⅛	14.56
Hiram Walker 14⅛ 86 £	25	95⅛	96⅛	0	−0½	15.44
Privatbanken 14½ 88 £	12	94⅛	95	0	−0⅛	15.81
Rothschild 14⅛ 90 £	12	95½	96⅛	+0⅛	−1	15.07
Royal Trustco 14 86 £	12	95⅞	96⅛	+0⅛	−1	15.11
Swed. Ex. Cr. 13⅛ 88 £	20	95⅛	96⅛	−0⅛	−0⅞	15.01
Banobras 8⅛ 90 KD	7	†90	90½	0	0	9.95
CCCE 8⅛ 91 KD	10	†82⅛	83⅛	0	0	11.04
Sonatrach 8½ 90 KD	12	†93	93½	0	0	9.66
Akzo 9⅛ 87 LuxFr	500	86	87	+0⅛	+0⅛	12.40
Euratom 9⅜ 88 LuxFr	500	87⅛	88⅛	0	−1⅛	12.52
Eurofima 10½ 87 LuxFr	500	91⅛	92⅛	−0⅛	−1⅛	12.44
EIB 9⅛ 88 LuxFr	600	89⅛	90⅛	−0⅛	−0⅛	11.96
Volvo 9⅛ 87 LuxFr	500	88⅛	87⅝	0	+0⅛	12.75

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bank 5¼ 87	0¼	98⅛	99⅛	2/7	16⅛	16.71
Bank of Montreal 5¼ 90	0¼	99½	100	18/6	19½	19.55
Bank of Tokyo 5¼ 89	‡0⅛	98⅛	98⅞	25/7	16½	16.73
BBL Int. 5 86	0¼	99⅜	100⅛	20/11	18.31	18.31
BNP 5½ 88	‡0¼	99	99½	29/7	16.44	16.56
CNT 5¼ 86	§0¼	99⅛	99⅞	18/10	16.81	16.88
Christiania Bk. 5½ 91	‡0¼	97⅞	98⅛	5/8	17.31	17.64
Citicorp O/S F. 84	‡0	99½	100	30/6	18⅞	18.92
C. Itoh 5¼ 87	0⅛	98⅛	99⅛	18/9	15.44	15.61
Co-operative Bk. 6 86	0¼	99⅞	100⅛	16/11	19.56	19.54
Den Norske Credit 6 90	‡0¼	98⅞	99⅛	5/8	17.31	17.47
Genfinance 5¼ 87	0¼	99	99½	30/10	16.94	17.07
Giro und Bank 5¾ 91	‡0¼	98½	99	23/6	14.06	14.24
GZB 5½ 89	‡0¼	98⅛	99⅛	1/8	17.31	17.49
Ind. Bank Japan 5¼ 87	0¼	99⅛	99⅛	15/10	17.06	17.15
Ind. Bank Japan 5¼ 88	0¼	98⅞	99⅛	9/10	16.44	16.58
Lloyds Eurofin 8 90 £	0¼	97	97½	3/7	14½	14.91
Lloyds Eurofin 5¼ 92	0⅛	98⅞	99⅛	4/6	17⅛	17.40
LTCB Japan 5¼ 88	0¼	99⅜	100⅛	13/6	20.19	20.19
Man. Hanov. O/S 5¼ 94	‡0⅛	99⅛	99⅛	30/8	19.06	19.16
Merrill Lynch O/S 87	0⅛	100½	101	7/8	20.44	20.29
Midland Int. Fin. 5¼ 92	0¼	98⅞	99⅛	5/6	17.19	17.34
Midland Int. Fin. 9 91	0¼	98⅛	98⅛	30/10	16.81	17.09
Nacional Fin. 6¼ 86	0¼	99⅛	99⅛	25/7	17⅛	17.86
Nacional Fin. 6½ 88	0¼	96⅛	97⅛	25/9	14⅞	15.34
Nat. Bk. Canada 5¼ 88	0¼	97⅛	98⅛	24/9	14½	14.81
Nat. West. 5¼ 94	§0¼	97½	98	14/10	16.19	16.56
Nat. West. 5¼ 92	§0¼	97⅛	98⅛	23/10	16.81	17.16
Pemex 6 91	0⅛	97⅛	97⅛	8/10	15.31	15.73
Sparebanken 6 87	0¼	99⅛	99⅛	19/6	19⅞	20.00
Standard Chart. 5¼ 90	0¼	98⅛	99⅛	3/9	17.06	17.26
Svenska Hndlsbk. 5 87	0⅛	99½	100	15/7	17.81	17.86

Average price changes... On day +0⅛ on week +0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Bow Valley Inv. 8 95	4/81	23.12	98⅛	99⅛	+0½	20.57
Canon 6⅛ 95	1/81	629	181⅛	162⅛	+11⅛	2.96
Credit Suisse 4⅞ 93	10/79	1236	82	84	0	−1.24
Digicon Fin. 8½ 95	10/81	29.5	109⅛	110⅛	−3⅛	1.41
Fujitsu 5½ 96	7/81	732	106	107	+2⅜	12.03
Hanson O/S Fin. 9½ 96	8/81	2.74	[illegible]	[illegible]	[illegible]	1.15
Ina Overseas 8½ 2000	4/81	[illegible]	[illegible]	[illegible]	[illegible]	0.41
Inchcape 8 95	2/81	4.55	[illegible]	[illegible]	[illegible]	1.34
Kotobukiya Co. 7 96	4/81	619	[illegible]	[illegible]	[illegible]	2.13
Marion Int. Fin. 9 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.81
Marubeni 7½ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.23
NKK 6½ 96	7/81	[illegible]	[illegible]	[illegible]	[illegible]	9.96
Ricoh 6½ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.62
Sumitomo M. Ind. 7 96	2/81	[illegible]	[illegible]	[illegible]	[illegible]	0.08
Swiss Bk. Cpn. 6½ 90	9/80	200	72	74	0	25.82
Taylor Woodrow 8½ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.16
Tokyo Land Cpn. 7½ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.38
Transco Int. 8¾ 95	2/81	[illegible]	[illegible]	[illegible]	[illegible]	25.84
Tricorp 8½ 95	12/80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Union Bk. Switz. 5 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fujitsu 5 84 DM	7/79	[illegible]	[illegible]	[illegible]	[illegible]	1.48
Sharp Cpn. 6½ 88 DM	9/80	[illegible]	[illegible]	[illegible]	[illegible]	1.15
Uny Co. 6½ 83 DM	11/79	[illegible]	[illegible]	[illegible]	[illegible]	1.77

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Companies and Markets

INTERNATIONAL COMPANIES and FINANCE

FIVE OIL AND GAS COMPANIES HIVED OFF

INI stripped of its best assets

BY ROBERT GRAHAM IN MADRID

INI, the Spanish state holding company, *is slowly coming to* terms with the biggest reorganisation of its activities since its foundation in 1941.

In April it lost a significant part of its empire. Five companies in hydrocarbons exploration, production, oil and gas transport, refining and petrochemicals were *hived off to* form part of a new state energy holding company, INH. In the process INI lost its major source of cash flow and ceases to figure among Europe's 20 largest industrial enterprises.

The holding company's first proper technocrat administration has tried over the past three years to dispel the image of an industrial hospital but the efforts have been eroded overnight. INI is left with a rump of companies, the largest of which are major loss makers such as the car producer Seat, the shipyards Bazan and Astilleros Espanoles, integrated steel makers Ensidesa and Altos Hornos del Mediterraneo, and coal producer Hunosa.

The break-up has been under active consideration for at least three years and on the table for much longer. The Government, hoping to create a more rational control of state energy interests, rejected a solution along the lines of Italy's ENI which is controlled via the state holding, IRI.

The winning argument was that INI already had enough to handle without the addition of a very substantial energy holding company. Rather, by being freed a little it would be able to concentrate better on two main tasks — restructure industries in crisis such as steel and shipbuilding, and concentrate on promoting advanced technology ventures.

Before the break, up INI wholly owned 80 companies, had a majority stake in 67 and controlling equity in a further 137 affiliates. INI companies accounted for 8 per cent of industrial output, 28 per cent of industrial investment, 14 per cent of industrial exports, and employed 240,000 people.

Five companies

The five companies removed from INI were: Butano (50 per cent owned); Enagas (100 per cent); Eniepsa (100 per cent); Enpetrol (71 per cent); and Hispanoil (70 per cent). At the end of 1979 they had total fixed assets of Pta 198bn ($2.2bn), equal to 15 per cent of INI's assets.

The most important company was Enpetrol, which accounts for 45 per cent of all Spanish refining capacity (28m tons) and provides 50 per cent of petrochemical production. If assets and cash flow of a number of important petrochemical and chemical subsidiaries, such as Alcudia, are included, Enpetrol is much bigger.

Enpetrol's non-consolidated sales in 1980 were Pta 350bn out of total INI sales of Pta 1,400bn. The five companies' combined sales last year were Pta 533bn. Meanwhile Enpetrol and Enagas, the national gas supply company, had 1980 investments which amounted to 20 per cent of INI's Pta 200bn investments.

Eniepsa, responsible for exploration and production of hydrocarbons within Spanish territory, and Hispanoil, responsible for the same activities abroad plus the purchase of some crude outside Spain, are also significant companies.

INI still retains energy interests — namely in coal (Hunosa, the biggest loss-maker), in power generation (Endesa and Enher) and nuclear fuel cycle supplies and uranium development (Enusa). But leaving part of energy still inside INI is a lop-sided policy, critics say.

Two main problems confronted INI during this shake-up. First, it lost its biggest source of cash flow. The five companies produced 1980 cash flow of Pta 23.3bn, *while INI's* was reduced by loss-makers to Pta 11.9bn. The Government argues that this separation ensures good money does not go after bad, although it risks exposing the weakness of INI's self-financing ability.

INI is currently losing Pta 100bn a year, principally as a result of the performance of eight companies. Removing the best performers make INI's dependence upon Government subsidy and grant more naked.

The second problem has been INI's foreign loans, equivalent to about $4bn lent on the basis that banks have the right to call them in if the company's assets change substantially. Foreign currency loans guaranteed by INI for its subsidiaries have the same clause.

INI's main bankers—about 20—have been notified in the past three weeks about this. They have also been informed that the *Government has* decreed that the new hydrocarbons holding company, INH, will act as the joint-guarantor of all contracted loans and financial obligations. This apparently has satisfied the bankers but it effectively means that the state has become the guarantor of these loans.

This raises two other issues. In the past loans guaranteed by INI for its companies have been treated as private sector borrowing. Should this now be consolidated as public sector debt, raising the public external debt by about $4bn?

New formulas

Similarly INI must consider new formulas for going to the international markets from which it obtains some 20 per cent of funding. For instance, it recently raised a $350m loan for five INI companies, all of which were loss makers save Enagas which was the "sweetener" to obtain the best spreads.

INI has no more sweeteners for such operation. However, it is confident that it will be treated the same since it has the state's guarantee so loans reflect Spanish risk, not INI risk.

Adsteam bids for Australian brewer

By Our Sydney Correspondent

ADELAIDE Steamship (Adsteam) yesterday launched a bold attempt to enter the Australian brewing industry through a takeover bid for Tooth and Company, which values the Sydney brewer at A$203m (US$230m).

As a spring-board the company, using DJ's properties as a vehicle, increased its holding in Tooth to 34.7 per cent by buying the 10 per cent stake held by Mr Ron Brierley's Industrial Equity at A$2.90 a share.

Adsteam also acquired a parcel of 1.4m Tooth shares at A$2.70 each in an off-market deal which is understood to have provoked IEL into selling its holding.

Following sharemarket listing requirements DJ Properties will extend the A$2.90 offer to all other Tooth shareholders for one month.

The offer gives Tooth shareholders the chance to sell at around the same price that the major institutional holders received last year when both IEL and Adsteam established their strategic shareholdings. Tooth shares yesterday finished 28 cents higher at A$2.93.

Tooth directors have taken the unusual decision of telling shareholders to seek private advice on the offer. They said *they do not think it appropriate to make a recommendation to* shareholders as to whether the price was fair and reasonable. Asset backing was A$3.67 a share but "given certain *assumptions as to values, asset backing* could be materially higher."

A big tax increase prevented Tooth from matching the profits performance of industry rivals in the year ended March. Tooth directors yesterday prematurely announced a 6.3 per cent decline in after-tax earnings to A$12.7m. At the pre-tax level profit was 28.2 per cent higher at A$22.3m.

The Adsteam bid presents Castlemain Tooheys, Tooth's next largest shareholder, and the Australian brewing industry, with a dilemma. Castlemain holds a 20.8 per cent slice of Tooth and showed, during *last year's buying battle, that* it was not prepared to stand idly by while its long-standing Sydney rival was plundered.

However, any move by Castlemain to acquire Tooth must overcome two major hurdles. Because Allied Breweries of the UK is a major shareholder, Castlemain is deemed *a foreign* company by the Foreign Investment Review board. Moreover, being Australia's largest brewer, it could face difficulties with the Trade Practices Commission.

Migros considers foreign growth

BY JOHN WICKS IN ZURICH

MIGROS, Switzerland's largest retailer, is exploring the possibility of expanding outside its home base.

A co-operative, Migros is currently asking members whether it should alter present statutes which confine its operations in retail distribution to the home market.

Since the group pulled out of *a loss-making participation in* Turkey in 1974, foreign activities have been restricted to operations outside retailing. These include the travel-agency Hotelplan, a Duesseldorf subsidiary of Migros Bank and a number of language schools.

The major reason for the motion, on which 1.15m co-operative members will vote, lies in the rapid growth of Migros' retail business in Switzerland itself, where sales booked a 7.7 per cent rise in 1980 to SwFr 7.13bn ($3.44bn). This was well above the average expansion rate for the Swiss retail sector.

Migros has stated that there are no concrete plans for expansion abroad. Foreign countries are not "to be swamped with a new retail chain called Migros".

Despite this, there is considerable opposition within the Migros movement against expanding abroad, a move "calling for large investments and leading to losses," say opponents of the proposals.

● Von Roll, the leading iron and steel company, expects 1981 profits to be similar to those booked for 1980, when the parent company recorded net earnings of SwFr 8.5m ($4.1m) on turnover of SwFr 1.08bn.

Turnover fell in the first four months of this year by 9 per cent, though this decline is expected to be made up as the year progresses. New-order value rose by 25 per cent.

Toyota Motor unveils major share issue

By David Dodwell in Tokyo

TOYOTA MOTOR, Japan's biggest car manufacturer, yesterday announced plans to raise in the region of Y70bn ($300m) by issuing new shares in the largest ever capital increase by a Japanese manufacturing company.

The issue will provide funds for the company's ambitious Y280bn programme to develop new technology at its main Nagoya plant as a result of competition between car manufacturers to produce, new small fuel-efficient cars.

The previous heaviest capital increase promoted in Japan was last November when Matsushita, the major electrical appliance maker, raised Y50bn.

Investors taking up the offer will have to pay for their shares on July 31. Toyota has not yet decided an issue price but has said this will be based on market values. Toyota's shares advanced 50 points yesterday to close at Y1,130 at which level the company would raise Y79.1bn.

Toyota also announced yesterday that it expected after-profits for the year ending June, 1981, of Y110bn to Y120bn, substantially down on last year after-tax profits of Y143.57bn. The company expects sales of Y3,480bn, compared with Y3,310bn.

Sales have been bolstered, the company claims, by strong export sales.

Viag raises earnings by 74%

BY ROGER BOYES IN BONN

VIAG, the West German energy, aluminum and chemicals holding company, was one of the few state-owned concerns to increase its profits last year. However, its management believes that 1981 may produce a worse result, as the recession bites into its three key sections.

Group net profits increased by 74 per cent from DM 72m to DM 125m ($54m) *while external* sales increased by 14 per cent to DM 4.8bn. This latter figure was partly influenced by the consolidation of new subsidiaries into the accounts.

The state, which has an 84 per cent interest in Viag, must be relatively satisfied with the result.

Salzgitter, the 100 per cent state-owned steel concern, for example, is still labouring under the structural steel crisis. Even traditionally strong state *interests have seen profits drop.* Lufthansa, for example, in which the state has a 75 per cent interest, saw net profits drop to some DM 5.5m last year. Volkswagen, in which Bonn has a 20 per cent stake, recorded a halving of its net profits.

The roots of the relatively strong performance lie in Viag's industrial mix. The energy sector, which is spread over electrical utilities, power station and mining, benefited from price increases, especially in electricity, that largely covered increased costs. *Aluminum production* (via VAW Aluminum) was profitable despite slightly lower output. Aluminum manufacturing, however, showed signs of slackeing in the second half.

A *combination of the recession* and the weak DM-Dollar exchange rate will hit Viag's performance this year. Dollar denominated raw materials are costly to both the aluminum and chemicals branches. Thus aluminium production probably costs 20 per cent more this year than last. But because of the flagging market, it will probably be impossible to increase prices before the end of the year.

Viag is still planning a large investment programme of DM 7.2bn over the next four years with more than 70 per cent of the sum going to the energy *sector. The scope of the investment* programme, however, means no dividend pay-out again this year.

Isuzu plans engine plant

By Our Financial Staff

ISUZU MOTORS of Japan, in which General Motors of the U.S. has a 34.2 per cent stake, plans to build an engine plant in northern Japan at an estimated cost of more than Y50bn ($222m).

Isuzu, which is Japan's sixth largest car manufacturer, said that the plant will have an annual production capacity of 200,000 to 300,000 diesel engines by the year 1984.

Sharp gain in profit for Rauma-Repola

By Lance Keyworth in Helsinki

TURNOVER, earnings and new orders increased at Rauma-Repola in 1980 and the company, one of the largest private sector industrial groups in Finland, is paying a 10 per cent dividend.

Turnover increased by 20 per cent to FM 3.31bn ($829m), of which exports earned FM 2.31bn. Net earnings rose by 58 per cent to FM 55m.

The mechanical woodworking division improved its result, and *pulp and paper held steady. In* the metals sector (shipbuilding and engineering) results deteriorated, partly because of currency appreciation.

Rauma-Repola plans to reduce its capital investment in 1981 to FM 400m, or to roughly half the 1980 total. This will ease *financing problems.*

Further loss at Norway's state steel company

BY FAY GJESTER IN OSLO

NORSK JERNVERK, Norway's state-owned iron and steel concern, made a loss of NKr 64.4m ($11.2m) in 1980, before taxes and year end allocations, despite having received an operating subsidy from the state of NKr 120m during the year. In 1979, the group deficit was NKr 100m bringing Jernverk's accumulated deficit since 1975, when the world steel slump set in, to NKr 745m. Turnover last year was NKr 1.3bn slightly up from the year earlier. Exports accounted for two-thirds of the total.

The current year is also expected to show a loss. Export sales of semi-finished steel goods have been hit by the recession and by Norway's deteriorating competitive position. Cost trends in Norway have been *much less favourable* than anticipated and currency movements — particularly the strong Norwegian krone — have also hampered exports. The UK is Jernverk's most important market.

● NORPIPE and Norpipe Petroleum UK, which have pipelines from the Ekofisk field for gas to Emden, West Germany, and for oil to Teesside in the UK, and which operate the Teesside termial, reported combined turnover of NKr 2.8bn ($487m) in 1980, 40 per cent up on the *year earlier. Profits after tax* rose 37 per cent to NKr 215m.

The companies moved about 36.7m tonnes of oil equivalent through the pipelines last year, compared with 30m in 1979.

The Norpipe companies are 50 per cent owned by Statoil, Norway's state oil company, and 50 per cent by the Phillips group.

Hermes calls second meeting

By Our Financial Staff

HERMES-PRECISA International said it has called a shareholders' meeting for June 11 so that a second vote can be taken on the proposed purchase of part of Hermes, the Swiss typewriter company, by Olivetti of Italy.

On May 12, one of three proposals connected with Olivetti's proposed acquisition failed to be approved, solely for technical reasons, it noted.

While 98.4 per cent of shareholders approved the proposal, the necessary two-thirds quorum of 20m votes was narrowly missed, Hermes said.

Advance for Ajinomoto

BY OUR FINANCIAL STAFF

AJINOMOTO, the Japanese company with a dual business of animo-acid chemicals and food products, lifted after-tax profits for the year ended March 31 by 13 per cent to Y9.75bn ($43.33m) from Y8.63bn. Sales increased by 6 per cent to Y374.29bn ($1.66bn) from Y352.66bn. Ajinomoto proposes to pay a dividend of Y6, the same as last year.

The largest manufacturer of dairy products in Japan, Snow Brand Milk Products, however, reported a turndown in profits of 4 per cent to Y2.46bn ($10.9m) from Y2.58bn, although sales advanced by nearly 3 per cent to Y422.95bn ($1.88bn) from Y410.67bn. The dividend will remain unchanged at Y6.

Snow Brand said that it expects that domestic demand for dairy products will rise next year and forecasts after-tax profit for the current year to increase by 16 per cent. The company blamed an unusually cool summer for a substantial drop in demand last year and expects recovery will be slow.

LOWER STEEL SALES CUT PROFITS

Leaner times for Japan's big five

BY RICHARD C. HANSON IN TOKYO

ORDINARY STEEL production held down earnings in the year to March 31 at Japan's big five integrated steel companies, mainly because of higher materials and energy costs and falling production. Nippon Steel, the world's largest steelmaker, suffered a fall of 32.8 per cent in net profit to Y71.7bn ($316m), though gains were registered at the other four. The outlook is for a further decline in production this year.

Results for the five—Nippon Steel, Kawasaki Steel, Sumitomo Metal Industries, Nippon Kokan and Kobe Steel—show a drop in crude output of 5.7 per cent (to 76.7m tonnes). Most expect a similar margin of decline in the current year.

Sales on average were up modestly, by 8.4 per cent, mainly as a result of price increases early in the year, but net profit for the five fell 3.4 per cent. Those reporting modest gains in overall net profit attributed them to divisions not involved in ordinary steel trade, or to changes in accounting rules.

Nippon Steel reported a 32.8 per cent drop in net profit on a 9.4 per cent rise in sales to Y3,113bn ($13.84bn). The bright spot for the company was its engineering division, which doubled its sales to Y363bn, partly because of shipments to China of the first stage of a large steel complex near Shanghai. The second stage, however, has been cancelled.

Nippon Steel estimates that it had to absorb Y310bn in additional costs last year as a result of sharp rises in the price of raw materials and energy. These were only partly offset by an average 7.6 per cent price rise for steel products, brought in at the start of the fiscal year, and additional savings from rationalisation measures.

Kawasaki Steel said that its 14.1 per cent gain in net profit was attributable largely to a change in rules concerning reporting of foreign exchange liabilities. This brought a "paper" exchange gain of Y18.1bn against an exchange loss of Y6bn.

Kobe Steel showed a drop in operating profit and a small, 2.3 per cent to Y26bn ($115m) rise in net profit. Sales rose by 11.3 per cent to Y1,140bn.

Nippon Kokan, with its large heavy machinery and shipbuilding division and demand strength in seamless pipes, reported the most buoyant results among the five. It raised its dividend by Y1 to Y5 after annoucing record operating profits for the first time in seven years since the oil crisis.

Its net profit were up 44.2 per cent to Y36.3bn ($161m). Recovery, however, centred on the heavy industry sector where sales rose 25 per cent against a 6 per cent gain in the steel division. Shipbuilding, a loss maker in recent years, was up 70 per cent from a year earlier.

Sumitomo Metal Industries reported a 19.5 per cent rise in net profit to Y46.6bn ($207m) mostly on the strength of demand internationally for seamless steel pipe, an area in which it leads the industry in capacity. Sumitomo raised its prices by about 10 per cent on average last year.

The Japanese steel industry is predicting that total crude steel production this fiscal year will drop further from 107m crude tonnes last year to 103m tonnes as demand in key industries, like cars, wanes.

RESULTS FROM THE TOP FIVE

	Sales Ybn	Percentage change	Net profit Ybn	Percentage change
Nippon Steel	3,113	+ 9.4	71.1	−32.8
Kawasaki Steel	1,203	+ 4.8	57.1	+14.1
Sumitomo Metal Inds.	1,307	+ 6.8	46.6	+19.5
Nippon Kokan	1,423	+ 8.5	36.3	+44.2
Kobe Steel	1,140	+11.3	26.0	+ 2.3

Scrip issue and doubled income at Pan Electric

BY GEORGIE LEE IN SINGAPORE

PAN ELECTRIC INDUSTRIES, the Singapore-based marine and electric appliance company, more than doubled group net profits from S$5.2m to S$11m (U.S.$5.1m) in 1980 and is to make a one-for-four scrip issue. Parent company net profits were S$1.8m against S$1.48m. Operating profit was 67 per cent higher at S$26.9m and at the pre-tax level profits jumped by 81.6 per cent to S$12.5m.

The gross dividend has been raised from 12½ per cent to 15 per cent.

Pan Electric benefited from the better employment of its tugs and barges as well as a marked improvement in the offshore petroleum industry.

Pan Electric has diversified into a S$130m factory development project through a 76 per cent owned subsidiary.

The scrip issue will raise the group's issued capital from S$24.2m to S$30.28m.

● Group pre-tax profit at Singapore Land, the major Singapore property developer, remained practically unchanged at the interim stage. For the half-year ended February 1981, profit amounted to S$3.09m (U.S.$1.43m) compared with S$3.08m.

Net rental income remained almost static at S$4.66m against S$4.51m previously. Singapore Land said that the loss of rental income resulting from the sale of Marina House has been more than offset by higher rentals achieved from rent renewals of Clifford Centre and Shing Kwan House.

Due to increased property management activities, fees from this sector amounted to S$1.52m, a seven-fold advance. Interest received was only slightly higher at S$1.17m.

Singapore Land, however, suffered from increased costs. Management and administrative expenses soared 90 per cent to S$2.07m. Interest expense also rose by 37.9 per cent to S$2.4m

The property group reported that its large marina centre development project has received clearance from the authorities. The group has also recently been awarded the tender for a 22,557 square metre site from the Government for the development of a commercial complex with a net lettable area of 68,000 square metres.

HK trigger point plan for takeovers may be eased

BY KEVIN RAFFERTY IN HONG KONG

HONG KONG'S security industry authorities are prepared to make major concessions to try to get agreement on a takeover code for the colony. At meetings scheduled for the end of next week they will suggest that the new trigger point at which a shareholder must make a general bid for a company should be 40 per cent, not 35 per cent as originally proposed.

In addition under the "creeper" clause, a shareholder should be allowed to increase holdings by 5 per cent in any 12-month period, not 3 per cent

Under the present takeover code, which is voluntary, a general bid is only required when a shareholder has control of a company. This has been interpreted in Hong Kong as 50 per cent. Last year after the takeover battles for Hong Kong and Kowloon Wharf Company, the authorities decided to set out what constituted control of a company in shareholdings of 49 per cent and below. A 35 per cent trigger point was proposed.

But this proposal met with violent resistance from market interests. In a strongly worded statement the Hong Kong Stock Exchange said that a 35 per cent trigger ruling "will be against the interests of investors and detrimental to the normal functioning of the local stock exchanges."

It demanded that acquisition of more than 50 per cent of the voting rights of a company should continue to be regarded as control.

But the Securities Commission has been guided by the experience of other countries, including Singapore and Australia which have a 20 per cent trigger point as well as the UK with its 30 per cent trigger point.

There has also been pressure from the financial authorities. In his budget speech in February Sir Philip Haddon-Cave, the Financial Secretary, said he hoped that the 35 per cent trigger point "is low enough to give investors adequate protection."

Even if the authorities can get agreement on a 40 per cent trigger point, they will then have to make the code work. In a place like Hong Kong it would be comparatively easy for a shareholder to distribute his holdings between several nominees and it would then be difficult for the authorities to be aware that the trigger point had been crossed.

Early Wall St advance of 11.2

REFLECTING A growing belief that interest rates have peaked, at least for the near-term, Wall Street moved ahead strongly in very active early dealings yesterday.

The Dow Jones Industrial Average had climbed 11.22 to 1,002.97 at 1 p.m., trading above 1,000 for the first time in a month. The NYSE All Common Index rose 50 cents to $77.48, while gains led declines by a two-to-one ratio. Turnover expanded to 44.98m shares from last Friday's 1 p.m. level of 37.05m.

Several major banks lowered their Prime Rate to 20 per cent yesterday morning, and a few smaller banks cut their rate to 19½ per cent, reflecting the recent easing in money market rates.

Analysts said the market continued to benefit from Friday's report of a decline in money supply and business loans, the second consecutive fall, which eases pressure on the Federal Reserve to tighten credit further.

Strength was particularly evident in Bank stocks, Citicorp gained 1½ to $28½, Chase Manhattan 1⅞ to $52⅞ and J. P. Morgan ¾ to $58¼. Bankamerica was up ⅜ to $26½ and Well Fargo ⅜ to $31⅝.

Among active issues, volume leader IBM climbed $3 to $60¾, while U.S. Steel added ⅜ at $33⅜ and Simplicity Pattern ⅜ at $11⅜.

THE AMERICAN SE Market Value Index, however, was 0.20 easier at 376.80 at 1 pm. Volume 5.42m shares (4.72m).

Perry Drug Stores added ⅜ at $16¼. It declared a three-for-two stock split and raised the quarterly cash dividend.

Canada

A fairly active early trade left stock prices mixed at mid-day. The Toronto Composite Index was a slight 0.5 easier at 2,370.7 at noon, but rises outscored falls on the Exchange by 204 to 162.

The Oil and Gas index receded 22.3 to 4,939.7 and Golds 12.1 to 4,437.1, but the Banks index in Montreal was up 1.28 at 331.83.

Hong Kong

A further strong advance occurred yesterday in very heavy trading, pushing the Hang Seng index, after last Friday's 43-point rise, ahead 50.67 more to an eight-year high of 1,718.01.

Combined turnover on the four stock exchanges totalled HK$838.46m, compared with HK$691.77m last Friday.

Brokers attributed the sharp rise to the generally good economic condition of Hong Kong, and said profits for the top 40 companies here this year are likely to be 50 per cent higher than those of the previous year.

They added that compared with Singapore and other Asian cities, share prices in Hong Kong are still undervalued. One broker said "I expect the market will remain strong for the next few days."

Meanwhile, International City Holdings reported that its new HK$450m stock issue was 11.95 times oversubscribed.

The market opened strong and, despite sporadic profit-taking, most share prices closed almost at their highest for the day.

Among Properties, Cheung Kong climbed HK$1.25 to HK$31.75, Hong Kong Land 30 cents to HK$12.40, Swire Properties HK$1.20 to HK$14.40 and Sun Hung Kai Properties 40 cents to HK$17.80.

Hong Kong Bank gained 50 cents to HK$17.20, Hutchison 40 cents to HK$20.40, Jardine Matheson HK$1.50 to HK$25.10 and Hong Kong Electric 40 cents to HK$7.00.

Paris

Heavily depressed by opinion polls predicting a substantial majority for the Left in the coming Parliamentary elections, shares on the Paris Bourse finished sharply lower across the board, although trading was moderate. The Indicateur de Tendance index fell 3.0 to a new 1981 low of 82.2.

Tokyo

Fresh buying concentrated in Blue Chips and large-capital issues left major market indices with a further good gain after fairly active dealings, but the market displayed an overall easier bias.

There was continuing speculation that U.S. interest rates have peaked.

The Nikkei-Dow Jones Average ended 31.30 stronger at 7,589.95 and the Tokyo SE index 3.07 higher at 563.51. However, declining issues outpaced advances on the First Market section by 356 to 197 after volume of 460m shares against last Friday's 380m.

Sony gained Y180 to a record Y3,780, encouraging other Electricals and Blue Chips, while large-capitals were led higher by a Y29 rise to a record Y719 by Hitachi.

Communications, Precision Instruments, Filmmakers and Motors were favoured, with Nippon Electrical putting on Y25 to Y814, Matsushita Electric Y60 to Y1,220, Canon Y60 to Y1,060, Ricoh Y34 to Y795, Honda Y80 to Y1,170, Toyota Y50 to Y1,130, Fuji Photo Y50 to Y1,780 and Fujitsu Y21 to Y727.

Nippon Kokan firmed Y7 to Y208, Fuji Electric Y16 to Y353, Victor Japan Y90 to Y3,520, Alps Electric Y90 to Y1,600 and Sumitomo Electric Y19 to Y473.

Pharmaceuticals and Natural Resources issues, in contrast, receded on profit-taking. Yamanouchi Pharmaceutical fell Y70 to Y1,240, Daiichi Pharmaceutical Y55 to Y825, Koa Oil Y14 to Y496 and Mitsui Mining Y29 to Y421.

Low-priced issues in Construction, Foods and Textiles were also lower.

Germany

Bourse prices mostly picked up in active trading by both domestic and foreign investors, with dealers pointing to lower U.S. interest rates as the major source of the upswing. The Commerzbank index recovered 6.0 to 702.1.

The Domestic Bond market was also firm, with Public Authority paper gaining up to 30 pfennigs and the Bundesbank selling DM 9.9m of stock.

Australia

Narrow mixed movements were generally recorded, with only a few scattered situations providing some life to trading.

Western Mining featured strongly with a rise of 26 cents to A$5.86 ahead of the start-up of its six-well Canning Basin oil programme this month. However, last Friday's disappointing report from the Bliss well left Vamgas 20 cents down at A$13.40.

BHP added 5 cents at A$14.90 on news of a 3.95 per cent increase in steel prices, CSR, due to release final results this week, put on 6 cents to A$6.45 after the signing of a 20-year 40m tonne coal deal with the Queensland Electricity Generating Board.

The Rundle oil shale partners Southern Pacific and Central Pacific each shed 5 cents to A$2.45 and 90 cents respectively despite news that the companies had negotiated an agreement with Japan National Oil for a feasibility study of the Condor shale oil deposit.

Attention in Industrials was centred on NSW brewer Tooth, which advanced 28 cents to A$2.93 after Adelaide Steamship's subsidiary, DJ's Properties, announced a take-over bid of A$2.90 a share.

Singapore

Trading was quiet and cautious most of the day, but an upsurge took place in the last 90 minutes of the session on renewed buying and some speculation. The Straits Times Industrial index moved ahead 14.63 to 890.71, regaining the ground lost last week.

Closing prices for North America were not available for this edition.

Indices

NEW YORK

DOW JONES

	May 29	May 28	May 27	May 26	May 22	May 21	1981 High	1981 Low	Since Cmpil'tn High	Since Cmpil'tn Low
◆Industr'ls	991.75	994.25	993.14	985.96	971.72	978.58	1024.05 (27/4)	931.57 (15/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds	60.06	59.68	59.47	59.78	58.97	58.80	65.78 (7/5)	58.37 (7/5)	—	—
Transport.	435.79	437.97	436.91	429.51	426.55	426.78	447.38 (16/4)	379.19 (20/2)	447.38 (16/4/81)	12.23 (8/7/32)
Utilities	107.67	107.56	107.60	107.53	106.91	106.98	117.81 (5/1)	105.98 (5/5)	163.32 (20/4/69)	10.5 (28/4/42)
TradingVol 000's	51,880	59,500	58,750	42,790	40,710	46,928	—	—	—	—

◆Day's high 1003.15 low 985.44

Ind. div. yield %	May 22	May 15	May 8	Yearago (approx
	5.77	5.81	5.71	7.10

STANDARD AND POORS

	May 29	May 28	May 27	May 26	May 22	May 21	1981 High	1981 Low	Since Cmpil'tn High	Since Cmpil'tn Low
‡Indust'ls	149.59	150.61	151.18	150.04	148.32	148.93	157.02 (6/1)	143.76 (2/2)	160.96 (28/11/80)	3.52 (30/6/32)
Composite	132.59	133.45	133.77	132.77	131.33	131.75	138.12 (6/1)	128.56 (20/2)	140.52 (28/11/80)	4.40 (1/6/32)

	May 27	May 20	May 13	Year ago (approx
Ind. div. yield %	4.62	4.67	4.70	5.30
Ind. P/E Ratio	9.37	10.81	9.91	7.77
Long Gov. Bond Yield	13.01	13.22	13.72	10.15

N.Y.S.E. ALL COMMON

May 29	May 28	May 27	May 26	1981 High	1981 Low
76.98	77.44	77.58	77.06	79.14 (6/1)	72.45 (20/2)

Rises and Falls

	May 29	May 28	May 27
Issues Traded	1,937	1,922	1,931
Rises	770	899	1,035
Falls	800	649	537
Unchanged	367	374	361
New Highs	—	149	127
New Lows	—	21	22

MONTREAL	May 29	May 28	May 27	May 26	1981 High	1981 Low
Industrials	405.77	407.85	408.56	405.56	409.56 (27/5)	356.26 (20/2)
Combined	375.19	374.77	375.15	370.85	375.19 (27/5)	339.54 (20/2)
TORONTO Composite	2371.2	2376.5	2377.0	2362.6	2376.8 (10/4)	2151.4 (20/2)

	June 1	May 29	May 28	May 27	1981 High	1981 Low
AUSTRALIA All Ord. (1/1/80)	714.8	713.5	711.5	711.2	757.5 (8/4)	641.1 (17/2)
Metal & Minrls. (1/1/80)	626.4	625.8	621.1	619.2	735.2 (7/1)	554.9 (3/3)
AUSTRIA Credit Aktien (2/1/62)	60.19	60.54	(c)	61.19	66.43 (5/1)	60.19 (1/6)
BELGIUM Belgian SE (31/12/63)	73.87	(c)	(c)	74.61	86.16 (17/2)	73.87 (1/6)
DENMARK Copenhagen SE (1/1/73)	111.39	111.87	(c)	112.31	112.34 (26/5)	95.88 (2/1)
FRANCE CAC General (29/12/61)	(u)	86.30	(c)	88.8	112.5 (17/3)	88.3 (19/5)
Ind Tendance (31/12/80)	82.2	85.20	(c)	86.5	106.9 (13/3)	82.2 (1/6)
GERMANY FAZ-Aktien (31/12/58)	228.83	226.72	(c)	226.97	234.8 (24/4)	215.88 (9/2)
Commerzbank(Dec.1953)	702.1	696.10	(c)	696.1	727.7 (27/4)	666.4 (16/2)
HOLLAND ANP-CBS General (1970)	91.4	92.0	(c)	92.4	93.8 (18/5)	85.7 (2/1)
ANP-CBS Indust. (1970)	71.5	71.8	(c)	71.1	72.9 (28/4)	62.8 (2/1)
HONG KONG Hang Seng Bank (31/7/64)	1718.01	1667.34	1624.34	1630.27	1718.01 (1/6)	1295.44 (11/3)
ITALY Banca Comm. Ital (1972)	281.52	285.65	285.04	279.56	287.55 (21/5)	173.26 (6 1)
JAPAN Dow Average (16/5/49)	7589.95	7559.89	7502.03	7529.20	7674.19 (30/4)	6956.62 (15/5)
Tokyo New SE (4/1/68)	563.51	569.07	556.38	557.47	563.51 (1/6)	495.79 (5/1)
NORWAY Oslo SE (1/1/72)	114.43	114.45	(c)	114.73	127.57 (4/5)	114.43 (1/6)
SINGAPORE Straits Times (1966)	890.71	876.08	876.08	871.52	910.24 (15/5)	859.52 (2/1)
SOUTH AFRICA Gold (1958)	(c)	627.2	(c)	619.6	797.6 (7/1)	561.5 (3/3)
Industrial (1958)	(c)	655.1	(c)	654.6	665.5 (1/5)	537.2 (3/2
SPAIN Madrid SE (30/12/80)	(c)	119.86	119.23	119.28	119.85 (22/5)	100.46 (2/1)
SWEDEN Jacobson & P. (1/1/58)	531.97	528.26	(c)	528.06	534.97 (21/5)	404.17 (20/1)
SWITZERLAND Swiss BankCpn.(31/12/58)	282.5	280.8	(c)	279.8	304.2 (2/4)	279.8 (27/5)
WORLD Capital Intl. (1/1/70)	—	155.3	155.6	156.8	162.8 (6/1)	149.8 (17/2)

Base values of all indices are 100 except Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u unavailable.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Norton Simon	850,500	16⅞	+ ⅞	Texaco	471,600	34½	− ¾
IBM	796,300	58¾	+ ¾	Sony	468,100	24⅞	+ ½
Rowan	620,300	16¾	—	Mission In.	450,900	49	+2⅜
Phillips Petrlm.	602,500	36⅛	+ ⅞	Amer. Express	436,600	49	−1⅜
St. Oil Ind.	571,600	51⅞	−2⅞	Xerox	436,100	54	+ ⅛

Further study of silver crisis urged

WASHINGTON—The Securities and Exchange Commission (SEC) believes further study of certain events leading up to the silver futures market collapse last year is needed.

"The Commission believes that additional study of the Exchange's actions may be appropriate in order to fully understand the causes of the silver crisis," Commissioner Philip Loomis said in a letter yesterday to the chairman of a Senate Agriculture Sub-committee that oversees the Commodity Futures Trading Commission (CFTC).

Mr Loomis was commenting on an interagency probe into why the price of silver futures traded on U.S. commodity exchanges plunged so dramatically in March 1980. The CFTC made the 500-page report on the situation public yesterday.

The SEC official noted that inadequate or inappropriate regulatory efforts by the commodity exchanges themselves may have led to the aberrant behaviour on the silver market.

"The SEC is not certain that the report places sufficient emphasis on the cause and effect relationship between the Exchange's regulatory actions and the decline of prices in the silver markets," he said.

Reuter

Labour troubles lift lead

BY RICHARD MOONEY

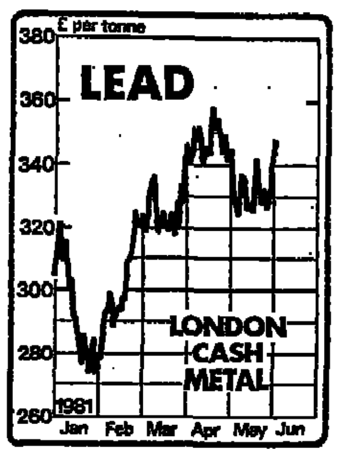
NEWS OF further labour troubles in the U.S. lead industry lifted prices on the London Metal Exchange to their highest levels since March 1977 yesterday.

Workers at Amax's Missouri operation left their jobs early in the day when their labour contract expired. By itself this might not be very significant—the whole company produced 132,000 tonnes of lead last year—but it comes on top of a long-running strike at St. Joe Minerals, the biggest U.S. lead producer, at 220,000 tonnes a year, and supply disruptions at Broken Hill in Australia and Swedish and Italian production units.

The net result is a tightening in available supplies which has strengthened the market in spite of slack world demand for the metal.

The cash lead price on the LME ended £7.5 up yesterday at £347.5 a tonne.

The Amax Missouri unit also produces some zinc concentrates and with concern growing about the possibility of a strike at Cominco Pine Point lead-zinc facility, a strong rise was also registered on the LME zinc market yesterday. Cash zinc ended the day £13.5 up at £431.5 a tonne following the setting of a June 5 strike deadline by the Pine Point workers.



One strike situation to ease yesterday was that at Chile's state-owned El Teniente copper mine. Most of the miners returned to work in the morning after accepting an improved pay offer but talks were continuing last night with representatives of 2,000 workers at the mine's concentrator, smelter and refinery and one of the six mine-workers' unions involved.

Copper prices eased early in the day but later resumed their upward course encouraged by a new fall in U.S. interest rates, easier sterling and firmer gold.

By the close cash copper wire-bars were quoted £12 up at £856.5 a tonne.

Stocks of copper held in LME warehouses rose 275 tonnes to 118,850 tonnes last week. Tin stocks were 100 down at 7,763 tonnes, lead 375 down at 49,650 tonnes and zinc 650 up at 88,600 tonnes. Silver stocks rose 200,000 ounces to 25.09m ounces, aluminium 6,150 tonnes to 56,700 tonnes and nickel 48 tonnes to 2,430 tonnes.

Flood plea rejected

THE EUROPEAN Commission has turned down a plea to aid Lincolnshire farmers who suffered over £3m-worth of damage in last month's floods. The British Government has also said it is unable to help.

The farmers' union will now seek talks with Mr. Peter Walker, the Minister of Agriculture. About a dozen Lincolnshire farmers claim they have lost a whole year's income through the floods.

The April blizzards cost the lives of 4,000 lambs and ewes in the Peak District of Derbyshire, and breeding stocks will be affected for several years.

Sugar upsurge continues

By Our Commodities Staff

NEARBY VALUES on the London sugar futures market extended their recent rise to seven consecutive market days, yesterday with the October position gaining £9.50 to £222.625 a tonne. This took the October price nearly £50 above the low level reached earlier this month.

Dealers attributed the rise, which took place in active trading conditions, to chartist, trade and speculative support backed by reports of renewed buying of physical sugar on the world market.

Providing initial impetus was the latest report from London merchant E. D. and F. Man, which said 1981-82 world sugar production would only match demand "with difficulty."

In Paris, the French Sugar Market Intervention and Regulation Board (FIRS) said EEC sugar production was expected to be around 12.6m tonnes (white value) in 1981-82, assuming average yield, compared with 12.1m the previous year, reports Reuter. Last month it put 1981-82 output at 12.5m tonnes.

French production is expected to total 3.92m tonnes in 1981-82 compared with 3.91m in 1980-81.

Wheat record predicted

THE WORLD is heading for a record wheat harvest this year unless good growing weather turns bad very quickly, according to the United Nations Food and Agriculture Organisation.

"Since most northern hemisphere winter wheat is very close to harvest, the danger of weather damage has been reduced and prospects are favourable for a 1981 wheat crop that will surpass the 1978 record of 449m tonnes. Even allowing for uncertain results of spring wheat and southern hemisphere harvests late in the year," the FAO said in its monthly food outlook report.

World wheat production is likely to rise from 444m tonnes last year to 460-480m tonnes the FAO said. Winter wheat crops have done well in the northern hemisphere, and spring plantings are enjoying good weather, it said.

Output of coarse grains, such as corn and barley, is also expected to climb. The FAO predicted that production would rise from 724m tonnes in 1980 to 750-800m tonnes this year.

As a result of the good harvest, world grain reserves are expected to be replenished.

"Current forecasts of the 1981 crops indicate a possibility that output may be sufficient to allow some stock replenishment next season, but a more definite assessment must await the outcome of the monsoon in the summer months and the development of northern hemisphere crops for harvest in the autumn," the FAO said.

In spite of the improved outlook, grain reserves would still amount to 14 per cent of estimated 1981 consumption, compared to the level of 17 or 18 per cent that the FAO thinks is necessary to maintain minimum world food security.

World trade in cereals is expected to continue to expand in 1981-82 to meet rising demand and to replenish stocks. Trade in wheat and coarse grain could reach 200m tonnes, up from 192m in the previous year, the report said.

The Soviet Union and China were expected to remain among the biggest grain customers, with shipments also rising to the Near East, northern Africa and some European countries, the FAO said.

China will continue to import grain but could manage without imports if the world price rose too high, Reuter reports from Peking.

The foreign-language weekly Beijing (Peking) Review said the reason for importing grain was that China exported a small amount of rice and had reduced the acreage under food crops so more industrial crops could be grown.

"China will continue to import grain for some time," the magazine said in an article by its economic editor.

China imported an estimated 15.5m tonnes of grain in the year which ended yesterday, according to western experts. "If the prices on the world market are reasonable, we import more grain, otherwise we import less," the article said. "And we can manage even if we don't import any grain at all."

Call for more natural rubber

MADRID — Natural rubber production must rise in the present decade to preserve its current market position and avoid its substitution by synthetic rubbers, International Rubber Study Group secretary General Leslie Bateman has said.

In a paper prepared for delivery at the annual meeting of the International Institute of Synthetic Rubber Producers he said that based on total estimated rubber demand of 19.5m tonnes in 1990, natural rubber production will have to rise to 5.85m tonnes from 3.80m last year to maintain its current 30 per cent ratio with synthetic rubber.

Mr. Bateman said that to reach likely production of 5.34m tonnes by 1990 as forecast elsewhere, a further 1m hectares of mature high yielding rubber will have to be brought on stream which will leave natural rubber's market share at 27.3 per cent.

Mr Bateman said future demand for natural rubber will be conditioned by global development of rubber-absorbing industries and particularly by the current changeover from cross-ply to radial tyres in the motor industry, requiring greater natural rubber content.

He said that based on the assumption that natural rubber consumption in the non-tyre sector will shrink to 10 per cent from 12 per cent by 1990 and that all tyres will then be radials, natural rubber demand will reach about 6.3m tonnes using current technology, with possible upper and lower limits of 7.3m and 5.5m tonnes.

Accordingly if output reached 6.45m tonnes by 1990 it would barely satisfy demand on present usage patterns with all-radial tyres, and should this figure fall to 5.34m tonnes it would lead to a considerable erosion of natural rubber's position, Mr Bateman said.

TIN

Producers condemn U.S. policies

BY RICHARD COWPER IN JAKARTA

THE ASSOCIATION of South East Asian Nations (Asean) agreed at the weekend to take a tough and united stand on three key issues related to the tin industry. In a joint communiqué, at the end of a two-day economic ministers' summit, Asean called on the U.S. to suspend immediately all further sales of tin from the American Government stockpile, agreed to press for a "substantial" increase in the tin buffer stock price range; and vowed to "conclude" a sixth International Tin Agreement in Geneva later this month.

The communiqué undoubtedly reflected the five-nation grouping's growing dismay and anger at what it believes to be the uncompromising attitude of the U.S. on all three issues. A meeting between the three tin-producing Asean countries, Malaysia, Thailand and Indonesia (which between them account for some 65 per cent of world tin exports) and the chief U.S. tin negotiator in Kuala Lumpur last month is understood to have done little to bring the two sides any closer to agreement.

The ministers who hold the U.S. largely responsible for failure to come up with a new International Tin Agreement, expressed concern in the communiqué that the "narrow and short-term national interests of some developed consuming countries were restricting the implementation of the integrated programme for commodities and undermining the spirit of international co-operation in commodity agreements."

Asean says it will make no more compromises in negotiations for a sixth International Tin Agreement. Buffer stock size and export control trigger points are the two key points of difference with the U.S.

The current accord, which has already been extended for one year, expires in June 1982, and producers say that this month's negotiating session in Geneva (June 8 to 29) is the last chance to produce an agreement.

The five ministers also expressed concern that the U.S. had not heeded repeated calls by producers to suspend disposals from the GSA stockpile under the present weak tin market conditions. The sales had a "clear disruptive effect on the market and on Asean economies" they said, and called on the U.S. to immediately suspend further sales.

Asean, like other tin producers, also blames the U.S. for the Tin Council's uncompromising attitude on the buffer stock price range, which it says no longer reflects production costs. It was primarily the U.S. hard line, it says, which led producers to storm out of an International Tin Council's meeting to consider an increase in the buffer stock price range.

Explaining Asean's decision at the weekend to press for a "substantial upward revision of the buffer stock price range at the next meeting of the Tin Council" Mr. Paul Leong, Malaysian Minister for Primary Industries said that 120 gravel pump mines in Malaysia and Thailand had already been driven out of business.

For the long-term security of both tin producers and consumers, he said, the industry must remain viable. "The current buffer stock range is totally unrealistic in that it does not reflect the costs of production and it offers very poor incentives to producers," he said.

Change in milk output trends

By Our Commodities Staff

BRITAIN COULD have 21,000 fewer milk producers by the end of this decade, according to the Milk Marketing Board.

A study* published by the board shows that the number of producers shrank from 83,000 to 46,000 between 1968/1969 and 1978/79. If this trend continues only 25,000 will be left by 1990.

But average herd size would be up to 100-110 cows compared with less than 70 at present.

Britain's remaining producers, inspite of a slightly smaller national herd, were producing 20 per cent more milk in 1978/79 than 10 years earlier.

And this was achieved from 37 per cent of British agricultural land instead of 46.3 per cent in 1968/69.

* *Trends and Developments in Milk Production, price £5 plus 75p post and packing.*

Market manipulation

BY OUR COMMODITIES STAFF

THE RECENT rise in natural rubber values has resulted from a "well orchestrated exercise in market manipulation," according to the latest market report from London merchants Lewis and Peat.

The RSS No. 1 position on the London physical market closed at 59p a kilo yesterday, down 1.25p on the day but still 5.25p higher than it was two weeks ago.

"The report said the market had behaved in a manner which defied analysis in terms of supply and demand. The USSR, China and leading tyre companies had all reduced consumption substantially and even the Japanese had been running down stocks.

Singapore warehouses were reported to be full of rubber but local dealers had difficulty in securing supplies. It became evident, said the report, that a few dealers in Singapore were withholding rubber from the market. Simultaneously substantial buying interest appeared on the London market.

"In spite of this temporary distortion in the market," the report said, "the overall demand situation still remains weak. However, with the low level of stockholding throughout the world any small surge in demand will, of necessity, be satisfied by further purchases and even a small increase in overall world demand could absorb surpluses at origin."

The report noted that automobile production was picking up, both in Japan and in the U.S., while synthetic rubber producers were likely to be forced to pass on increases in production costs soon. These factors were likely to result in higher natural rubber prices, it said.

BRITISH COMMODITY MARKETS

BASE METALS

Base Metal Prices advanced on the London Metal Exchange against a background of lower American interest rates, the fall in sterling and the rise in precious metals. Copper touched £881.5 and closed at £880.5 following speculative interest, the Amax pre-fiscal price rise and the strength of U.S. markets. Tin was marginally firmer at £6,260, owing to U.S. physical interest but Aluminium closed barely changed on the substantial increase in warehouse stocks. Currency considerations lifted Nickel to £3,080 at the close. Lead advanced to £358 prior to closing the late kerb at £353.5 as demand fuelled by the strike at the Amax operation in Missouri was met by profit-taking. Zinc was heavily traded and rose strongly to close at a 51-month high of £440 on fears of a strike at Cominco's Pine Point operation.

COPPER	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Wirebars				
Cash	846-.7	+12	856-7	+12
3 months	871-.5	+3.5	880.5-1	+12
Settlem't	847	+3	......	
Cathodes				
Cash	840-.3	+3.5	849-50	+12
3 months	861-.5	+4.5	870-.5	+12½
Settlem't	842	+2	......	
U.S. Prod.	......		*81.5-6.25	......

Amalgamated Metal Trading reported that in the morning copper cash wirebars traded at £848, 48, 48.5, three months £871, 72, 71.5, 72, 72.5, 72, 71.5, 71, 71.5. Cathodes, three months £861. Kerb Wirebars, three months £871.5, 71, 70.5. Afternoon: Wirebars, three months £880, 80.5, 80, 79.5, 80, 80.5, 81, 81.5, 81, 80.5. Kerb: Wirebars, three months £879.5, 79, 79.5, 80, 79.5, 80, 80.5. Turnover: 23,250 tonnes.

Tin—Morning: Standard, cash £6,150, 55, 60, 55, three months £6,245, 50, 55, 60. Kerb: Standard, three months £6,260. Afternoon: Standard, cash £6,140, three months £6,265, 60, 50. Turnover: 1,320 tonnes.

TIN	a.m. Official	+ or −	p.m. Unofficial	+ or −
High Grade	£	£	£	£
Cash	6165-85	+45	6140-50	+19
3 months	6255-60	+15	6250-60	+12.5
Settlem't	6185	+50	......	
Standard				
Cash	6155-60	+27.5	6140-50	+18
3 months	6255-60	+12	6250-60	+12.5
Settlem't	6160	+25	......	
Straits E.	[illegible]		......	
New York	......		......	

LEAD	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Cash	347.25-.75	+7.5	347.5	+7.5
3 months	354.5-5	+10.5	354-5	+5
Settlem't	347.75	+7.5	......	
U.S. Spot	......		*58	......

Lead—Morning: Cash £348, 47.5, 47.75, three months £355, 56, 55.5, 55. Kerb: Three months £356, 55.5, 55. Afternoon: Three months £355, 57, 57.5, 57, 56, 57, 56.5, 56, 55.5, 55. Kerb: Three months £355, 55.5, 55, 54, 53.5. Turnover: 24,800 tonnes.

ZINC	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Cash	418.5-20	+5.25	431-2	+13.5
3 months	426.5-8.5	+8.12	440.5-1	+14.5
S'ment	420	+5.5	—	......
Primw'ts	......		*46.5	......

Zinc—Morning: Cash £420, three months £430, 29.5, 29, 28.5, 28, 29. Kerb: Three months £429, 30, 30.5, 31, 31.5, 31, 31.5. Afternoon: Three months £435, 36, 37, 38, 39, 40, 39.5, 39.75, 39.5, 39, 40, 41, 42, 41, 41.5, 41, 40.5. Kerb: Three months £441, 42, 41, 40, 39, 38, 39, 39.5. Turnover: 19,800 tonnes.

Aluminium—Morning: Three months £646, 47, 47.5, 48, 47.5, 48.5, 49, 48.5, 48, 47.5. Kerb: Three months £647, 46, 45, 44. Afternoon: Three months £645, 47, 48.5, 46, 47. Kerb: Three

Alumin'm	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Spot	627-8	+1.75	636.5-7.5	+5
3 months	647-.5	+5.5	646-7	+.75

months £646.5, 45.5. Turnover: 9,025 tonnes.

NICKEL	a.m. Official	+ or −	p.m. Unofficial	+ or −
Spot	3000-10	+42.5	3053-7	+56
3 months	3060-5	+17	3083-7	+42

Nickel—Morning: Three months £3,050, 55, 60. Kerb: Three months £3,060. Afternoon: Three months £3,070, 80, 85, 80, 81, 83, 80, 82, 84, 85, 80, 87, 86. Kerb: Three months £3,085. Turnover: 726 tonnes.

* Cents per pound. ‡ M$ per kilo. † On previous unofficial close.

SILVER

Silver was fixed 5.7p an ounce higher for spot delivery in the London bullion market yesterday at 516.7p. U.S. equivalents of the fixing levels were: spot $10.673, up 6.6c; three-month $11.127, up 7.9c; six-month $11.555, up 8.3c; and 12-month $12.445, up 6.9c. The metal opened 513p-520p ($10.65-$10.80) and closed at 521p-538p ($10.75-$10.80).

SILVER per troy oz.	Bullion fixing price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	516.70p	+5.7	527.75p	+15.7
3 months	531.90p	+6.2	542.9p	+14.2
6 months	548.60p	+6.2	—	......
12 months	584.60p	+6.2	—	......

LME—Turnover 119 (48) lots of 10,000 ozs. Morning: Three months 532. Kerb: Three months 533. Afternoon: Three months 542, 43, 44, 43, 43.5. Kerb: Three months 542.

COCOA

Unchanged at the opening, futures eased sharply during the afternoon session following nervous selling after International Cocoa Agreement talks in London. Producers were totally withdrawn on the physicals but some light scale-down buying was seen from industry, reports Gill and Duffus.

COCOA	Yes'rday's Close	+ or −	Business Done
July	845-846	−33.0	877-843
Sept.	870-871	−28.0	899-867
Dec.	904-905	−26.0	930-903
March	934-935	−25.0	960-933
May	952-953	−27.0	979-952
July	968-972	−26.0	993-975
Sept.	985-990	—	1015-1004

Sales: 3,339 (1,806) lots of 10 tonnes.

ICCO Futures—Daily price for May 29: 83.14 (83.02); five-day average 83.11 (83.64).

COFFEE

Marginal gains were posted during a quiet opening call before trade resistance proved too strong to attract any follow-through. Values came under further pressure in the afternoon before recovering £20 from the freshly established contract lows, only to again retreat as fresh selling and dealer profit taking emerged, reports Drexel Burnham Lambert.

COFFEE	Yesterday's Close	+ or −	Business Done
	£ per tonne		
July	919-21	−14.0	944-18
Sept.	929-30	−12.5	952-22
Nov	927-29	−6.0	944-20
Jan	924-27	−5.5	938-21
March	918-22	−8.0	933-15
May	919-26	−22.5	930-15
May	915-35	—	940

Sales: 5,037 (4,055) lots of 5 tonnes.

ICO Indicator prices for May 29: (U.S. cents per pound): Comp. Daily ICA 1978 112.46 (114.54): 20-day average 117.15 (117.58).

GAS OIL FUTURES

After a rapid fall to the lows, the market rallied in the late morning on trade at around Friday's close. In the afternoon, prices rose to the highs before falling back to close unchanged to $1.00 lower on little news, reports Premier Man.

Month	Yesterday's close	+ or −	Business Done
	U.S. $ per tonne		
June	273.00	−1.00	275.00-71.50
July	274.50	−1.00	[illegible]
August	277.25	−0.75	[illegible]
September	282.25	[illegible]	[illegible]
October	287.25	[illegible]	[illegible]
November	292.00	[illegible]	[illegible]
December	297.00	[illegible]	[illegible]
January	302.00	[illegible]	[illegible]
February	306.75	[illegible]	[illegible]

Turnover: 778 (760) lots of 100 tonnes.

GRAINS

July wheat opened 15p up, buying interest from shipper and commercial sources increased values before dipping back in thin volume to close 25p up on the day. New crops opened unchanged on wheat and barley. Some hedge selling eased values mainly in Sept. and Nov. barley, Acli reports.

Mnth	WHEAT Yesterd'ys close	+ or −	BARLEY Yesterday's close	+ or −
July	116.50	+0.25	—	
Sep	101.35		98.90	−0.25
Nov	105.00		102.60	−0.15
Jan	108.85		105.80	−0.10
Mar	112.65	+0.05	105.95	
May	116.00	—	109.25	—

Business done—Wheat: July 116.80-116.35, Sept. 101.30 one trade, Nov. 105.00-104.90, Jan. 109.00-108.85, March 112.40-112.35, May 116.00-115.75. Sales: 68 lots of 100 tonnes. Barley: Sept. 95.25-95.15, Nov. 99.00-98.80, Jan. and March no trades, May 109.30-109.25. Sales: 46 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No. 2, 14 per cent, June/July 107.25, Aug. 107.50 transhipment East Coast. *U.S. Hard Winter,* 13½ per cent. June 107.25, July 107, Aug. 107.50 transhipment East Coast seller. English Feed fob Sept. 106.25 seller East Coast. 105.75 seller South Coast. Maize: French first-half June 126.25 transhipment East Coast. South African Yellow June/July 90.00 seller. Barley: English Feed fob June 107 seller East Coast, Aug. 106.50 seller South Coast.

HGCA — Locational ex-farm spot *prices. Feed barley: E. Mids.* 100.70, Scotland 99.00. The UK Monetary Coefficient for the week beginning Monday June 8 (based on HGCA calculations using three days exchange rates) is expected to remain unchanged.

RUBBER

The London physical market opened easier, with little interest throughout *the day, closing uncertain. Lewis and* Peat reported a fob June price for No. 1 RSS in Kuala Lumpur of 278.5 (280.0) cents a kg and SMR 20 240.0 (244.0).

No 1. R.S.S.	Yest'r'ys close	Previous close	Business Done
July	60.50-60.60	61.40-61.80	60.60
August	61.70-61.80	62.50-62.60	61.90
Jly-Sept	61.60-61.80	62.50-62.70	61.30-61.50
Oct-Dec	64.60-64.80	65.70-65.80	65.40-64.50
Jan-Mar	67.70-67.80	68.70-68.80	67.90-67.50
Apl-Jne	70.70-70.80	71.70-71.80	70.80-70.50
Jly-Sept	73.60-73.70	74.50-74.60	73.80
Oct-Dec	76.50-76.70	77.50-77.60	76.70-76.50
Jan-Mar	79.50-79.70	80.50-80.60	79.60

Sales: 255 (320) lots of 15 tonnes, 33 (7) at 5 tonnes. Physical closing prices (buyers) were: Spot 59.00p *(60.25p): July 61.00p (62.00p): Aug.* 61.75p (62.75p).

SOYABEAN MEAL

The market opened with small gains in thin trading, reports T. G. Roddick. Prices remained steady with little feature closing around 50p higher on the day.

	Yesterdys Close	+ or −	Business Done
	£ per tonne		
June	131.80-31.5	+0.75	[illegible]
July	[illegible]		[illegible]
August	[illegible]		[illegible]
October	[illegible]		[illegible]
December	[illegible]		[illegible]
February	[illegible]		[illegible]
April	[illegible]		[illegible]
June	[illegible]	+0.75	

Sales: 55 (same) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE — Raw sugar £215.00 (£189.00) a tonne cif June-July shipments. White sugar daily price £230.00 (£214.00).

The market opened £2 above pre-weekend levels with selling interest apparent. However, this was soon taken up particularly by one noticeable buyer and prices moved higher to close at the highs of the day, reports C. Czarnikow.

No. 4 Con-tract	Yest'rdys Close	Previous Close	Business Done
	£ per tonne		
Aug.	[illegible]	[illegible]	[illegible]
Oct.	[illegible]	[illegible]	[illegible]
Jan.	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Aug.	[illegible]	[illegible]	[illegible]
Oct.	[illegible]	[illegible]	[illegible]

Sales: 13,513 (—) lots of 50 tonnes.

Tate and Lyle ex-refinery price for granulated basis white sugar was £342.5 (same) a tonne for home trade and £315.5 (£295.5) for export.

International Sugar Agreement (U.S. cents per pound) fob and stowed Caribbean port. Prices for May 29: Daily price 17.14 (16.44): 15-day average 15.15 (14.99).

COTTON

LIVERPOOL—Spot and shipment sales amounted to 223 tonnes. A fair general offtake ensued, users showing more interest in obtaining supplies. Attention was largely centred on Middle Eastern growths, with Russian and Turkish to the fore.

WOOL FUTURES

LONDON NEW ZEALAND CROSS-BREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. Aug. 378, 383, nil; Oct. 384, 389, 386; Dec. 385, 389, 387; Jan. 386, 390, 397-385; March 390, 394, 393; May 399, 402, 411; Aug. 406, 412, 413; Oct. 408, 416, nil; Dec. 408, 415, nil. Sales: 15.

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. July 494.5, 495.0, 496.0-495.0; Oct. 492.5, 494.0, 493.0-492.0; Dec. 498.5, 501.0, 500.0-498.0; March 506.0, 506.0, 507.0-505.0; May 511.0, 512.0, 512.0-511.0; July 518.0, 519.0, 520.0-518.0; Oct. 517.0, 518.0, 518.0; Dec. 520.0, 522.5, nil. Sales: 93.

JUTE

JUTE—June: c and f Dundee BWC £248, BWD £199, BTB £302, BTC £242, BTD £199; c and f Antwerp $542, $428, $653, $537, $428 respectively; c and f Dundee May 40-in 10-oz £10.41, 40-in 7½-oz £81.12. B Twills £30.20.

TEA AUCTION

LONDON TEA AUCTION — 33,910 packages were offered in yesterday's auction. There was good demand. Assams tended lower with quality. Africans opened firm to dearer and closed several pence dearer. Good Ceylons were substantially dearer and mediums firm to dearer. Quotations: Quality 125p per kilo (123p): medium 103p per kilo (103p): plain unquoted (77p nom.).

POTATOES

LONDON POTATO FUTURES — The market was quiet and featureless, reports Coley and Harper. Closing prices: Nov. 58.80, −0.1 (high 59.20, low 58.50): Feb. 67.80, +0.1 (high 68.00, low 67.90): April 74.80, same (high 74.90, low 74.50). Turnover: 26 (45) lots of 40 tonnes.

PRICE CHANGES

In tonnes unless otherwise stated.

	June 1 1981	+ or −	Month ago
Metals			
Aluminium	£810/815		£818/815
Free Mkt	$1270/1300		$1255/525
Copper			
Cash w'bar	£856.5	+12	£829.25
3 mths	£880.5	+12	£850.25
Cash Cathode	£849.5	+12	£822.5
3 mths	£870.25	+12.75	£838.5
Gold troy oz	$480.75	+6.5	$4889.5
Lead Cash	£347.5	+7.5	£344.5
3 mths	£355.5	+5	£349.75
Nickel	[illegible]		£3,579.50
Freemkt	[illegible]		290/505c
Platin'm troy oz	£250.0		£213.5
Freemkt	[illegible]		£221.75
Quicksilver†	[illegible]		$420/450
Silver troy oz	516.70p	+5.7	520.00p
3 mths	531.90p	+6.2	534.50p
Tin Cash	£6,145	+19	£5,917.5
3 mths	£6,255	+12.5	£6,017.5
Tungsten	[illegible]		$147.54
Wolfram 22.04 lb	$144/148		$142/145
Zinc Cash	£431.5	+13.5	£401.25
3 mths	£440.75	+14.5	£409.25
Producers	$985		$875
Oils			
Coconut (Phil)	$567.5	−0.5	$580
Groundnut	‡		‡
Linseed Crude	£442		£424
Palm Malayan	$590		$585
Seeds			
Copra Philip	$390		$385
Soyabean (U.S.)	$312		$325
Grains			
Barley Fut. Sep	£95.20	−0.2	£95.70
Maize	£136.25		£127
Wheat Fut. Sept	£101.35		£102.05
No2 HardWint	£107.25	+0.5	£108.90
Other commodities			
Cocoa ship't*	£951	−33	£1,040
Future Sept	£904.5	−26	£944.5
Coffee Ft Sept	£929.5	−12.5	£1071.5
Cotton A.Index	87.50c	−0.05	88.45c
Gas oil July	$274.5	−1	$280
Rubber (kilo)	59p	−1.25	55p
Sugar (Raw)	£215v		£175
Woolt'ps 64s kl.	340p kilo	+2	350p kilo

† Unquoted. u May-June. v June-July. w July-Aug. y July. z Aug. † Per 76-lb flask. * Ghana cocoa.

MEAT/VEGETABLES

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 76.0 to 80.0; Ulster hindquarters 90.0 to 95.0, forequarters *56.0 to 59.0: Eire hindquarters 90.0 to* 94.0, forequarters 55.0 to 59.0. Veal: Dutch hinds and ends 128.0 to 132.0. Lamb: English small 88.0 to 94.0, medium 86.0 to 92.0: Imported frozen New Zealand PL 71.0 to 72.0, PM 69.0 to 70.0. Pork: English, under 100 lb 46.0 to 52.0, 100-120 lb 44.0 to 51.0, 120-160 lb 42.0 to 50.0.

MEAT COMMISSION—Average fatstock prices at representative markets on June 1. GB—Cattle 96.74p per kg *lw (+0.80). UK—Sheep 196.62p per kg* est dcw (+2.09). GB—Pigs 74.20p per kg lw (−0.25).

COVENT GARDEN—Prices for the bulk of produce, in sterling per package except where otherwise stated. Imported Produce: Oranges—Outspan: Navels 48 4.50, 56 4.80, 72 4.40, 88 3.60, 112 3.60, 138 3.50, 150 3.10: Californian: 88/138 3.80-4.80: Jaffa: Valencia Lates 56/189 4.30-5.00; Cyprus: Valencia Lates 66/120 3.00-4.20: Moroccan: Lates 56/113 3.30-5.00. Lemons—Spania: Trays 25/50 2.00-2.20, Boxes 60/100 5.20; Californian: 115/140 5.50; Italian: 100/120 4.50-4.80: Outspan: 80/100 5.00; Jaffa: Cartons 60/90 4.20-5.00. Grapefruit—Outspan: 40 3.85, 48 3.90, 56 3.70, 64 3.55; Cyprus: 20-kg 40/64 5.50; Jaffa: 20-kg 36/75 3.85-4.75. Apples—S. African: Granny Smith 6.60-7.50, Golden Delicious 7.50-8.00, Starking 7.20-8.00; *Chilean: Granny Smith 6.60-7.20;* W. Australian: Granny Smith 7.60: U.S.: Red Delicious 9.50-10.50: French: Golden Delicious 40-lb 125/175 3.80-4.80; Italian: 40-lb Romes 60/70 4.40-4.60; New Zealand: Sturmer Pippins 8.00-8.50, Golden Delicious 6.40, Kidd's Orange 7.50, Red Delicious 7.50-8.50; Tasmanian: Jonathans 6.50-6.70, Golden Delicious 7.00, Granny Smith 7.00, Sturmer Pippins 8.00-8.50. Pears—Belgian: Conference per pound 0.10-0.12; Italian: Passacrassana 0.12-0.14: *S. African: Packhams 6.00-6.80, Beurre* Bosc 5.00, Nelis 5.50; Tasmanian: Packhams 40-lb 6.80-7.20; New Zealand: Packhams 7.20; Victorian: Packhams 7.60-8.00. Nectarines—Spanish: 37/42 3.50-4.50. Plums—Spanish: Beauty 4/7 per pound 0.40-0.60. Apricots—Spanish: 11-lb 2.00-3.50. Cherries—U.S.: 18-lb, per pound 0.90; French: 11-lb, per pound 0.50-0.60: Turkish: 0.60. Grapes—S. African: 9-lb Barlinka 5.00: Chilean: Almeria 11-lb 7.00, Red Emperor 5.00, Ribea 5.40. Melons—Israeli: Carmel Yellow 6/10 6.80: Chilean: 15-lb 6/12 8.00 White 8/12 5.00; Spanish: 10-kg Yellow 6.00. Coupers 4.50.

English Produce: Potatoes—Per bag 2.50-3.40; Kent new 55-lb, per pound 0.13-0.14. Mushrooms—Per pound 0.50-0.60. Apples—Per pound Bramleys 0.08-0.15. Cauliflowers—Per 12, Kent 4.00-6.00. Cabbages—Per bag 3.20, Spring 22-lb 1.60-1.80. Beetroots—Per bag 1.80-2.00. Lettuce—Per 12, round 1.20-1.40, Cos 10/12 1.80-2.50. Tomatoes—Per 12-lb D 3.60, E 3.40. Carrots—Per 28-lb 3.20-3.50. Radishes—Per pack of 12 x 8oz 1.50, bunches of 15 1.20. Onions—Per tray x 20 bunches, spring 1.50. Celery—Per 15/24 5.50. Cucumbers—Per 10/20 2.00-2.40.

★

GRIMSBY FISH — Supply good, demand fair. Prices at ship's side (unprocessed) per stone: Shelf cod £2.50-£5.30, codlings £1.00-£1.80; large haddock £2.80-£6.50, medium £2.80-4.30, small £2.40-£2.80: large plaice £5.00-£5.50, medium £4.80-£6.30, best small £3.20-£4.40: skinned dogfish (large) £6.00, (medium) £4.00: lemon soles (large) £7.00, (medium) £4.00; rockfish £1.50-£2.50; saithe £2.00-£2.40.

AMERICAN MARKETS

NEW YORK, June 1.

PRECIOUS METALS and copper sold off a rise in Fed funds. Coffee and cocoa markets were under severe pressure because of arbitrage selling against weaker sterling. Cotton declined on reports of good moisture in the main production areas. Sugar was strong on a private crop production estimate indicating that consumption would exceed this year's production, reported by Heinold.

Copper—June 80.25 (80.15), July 81.40-81.60 (81.45), Aug 82.70, Sept 83.85-83.90, Dec 87.55, Jan 88.65, March 90.90, May 93.05, July 95.25, Sept 97.50, Dec 101.60, Jan 101.95, March 103.15.

*Gold—June 473.0-476.0 (479.4), July 480.7 (486.0), Aug 486.7-488.0, Oct 499.0-500.0, Dec 511.5-513.0, Feb 525.9, April 538.8, June 551.7, Aug 564.7, Oct 577.8, Dec 591.0, Feb 604.3, April 617.8.

*Platinum—June 453.7 (464.6), July 460.5-461.5 (471.6), Aug nil, Oct 479.0, Jan. 498.1, April 517.1.

¶Silver—June 1052.5 (1073.0), July 1065.0-1072.0 (1088.0), Aug 1083.0, Sept 1095.0-1100.0, Dec 1143.0, Jan 1160.7, March 1190.9, May 1221.1, July 1251.3, Sept 1281.5, Dec 1327.0, Jan 1342.2, March 1372.4. Handy and Harman bullion spot 1066.00 (1065.00).

Potatoes (round whites)—Nov. 77.5 (78.3), Feb 84.5-86.0 (86.0), March 90.2, April 101.5. Sales: 234.

Sugar — No. 11: July 18.80-18.85 (17.99), Sep 18.95-19.05 (18.15), Oct 18.10, Jan 18.20, March 18.35, May 18.50, July 18.54, Sept 18.65, Oct 18.67. Sales: 11,450.

CHICAGO, June 1.

Lard—Chicago loose 19.25 (same). Live Cattle—June 68.15-68.05 (68.17), Aug 66.40-66.45 (67.10), Oct. 64.40-64.25, Dec 66.20-66.10, Feb 67.40-67.30, April 68.47, June 69.50.

Live Hogs—June 51.65-51.55 (52.20), July 55.15-55.20 (56.07), Aug. 56.15-56.25, Oct 54.22-54.10, Dec 56.35-56.50, Feb 57.80-57.70, April 55.77, June 57.50, July 58.00.

‡‡Maize — July 349¾-349½ (351¾), Sept 354½-354 (359), Dec. 358-457½, March 370-369¾, May 376¾, July 380.

Pork Bellies—July 54.10-54.50 (55.92), Aug 54.10-54.02 (56.02), Feb 69.40-69.10, March 69.75, May 70.85, July 72.10, Aug 71.90.

†Soyabeans—July 753½-752½ (764¾), Aug 755-756 (768¾), Sept 756, Nov 766-766½, Jan. 783, March 803-802½, May 817, July 828.

‖Soyabean Meal—July 216.6-216.8 (219.4), Aug 217.7-218.2 (220.8), Sept 219.4-219.5, Oct 220.5-221.0, Dec 226.0-225.1, Jan 228.0-227.5, March 235.0, May 236.5-237.5.

Soyabean Oil — July 23.05-23.07 (23.35), Aug 23.46-23.47 (23.77), Sept 23.85-23.80, Oct 24.15, Dec 24.75-24.80, Jan 24.90, March 25.40-25.35, May 25.74, July 25.95-26.05, Aug 26.15-26.20.

†Wheat — July 403½-404½ (412¾), Sept 421 (429½), Dec 447-448, March 468½-468, May 477½, July 481.

WINNIPEG, June 1.

§Barley—July 145.70-145.80 (146.90), Oct 144u.60 (145.60), Dec 144.90, March 147.00.

§Wheat—SCWRS 13.5 per cent protein content cif St. Lawrence 256.14 (258.59).

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. ‖ $ per short ton (2,000 lbs). § $Can. per metric ton. §§ $ per 1,000 sq feet. ‡ Cents per dozen. †† $ per metric ton.

EUROPEAN MARKETS

ROTTERDAM, June 1.

Wheat—(U.S. $ per tonne): U.S. No. 2 Dark Hard Winter, 13.5 per cent: June 206, July 205, Aug. 207, Sept. 209. U.S. No. 2 Red Winter: June-July 159.50. U.S. No. 2 Northern Spring, 14 per cent: June-July-Aug. 204, Sept. 207, Oct. 212, Nov. 215.

Maize—(U.S. $ per tonne): U.S. No. 3 Corn, Yellow: Afl 160, June 160, July 161, Aug 163, Sept 164, Oct-Dec 166.50, Jan-March 175, April-June 182.

Soyabeans—(U.S. $ per tonne): U.S. No. 2 Yellow Gulfports: June 306, July 306.5, Aug 307, Sept 306.50, Oct-Nov 308, Dec 313, Jan 319, Feb 324.50, March 327, April 332, May 334. Options: May 300, June 297.50, July 299, Aug 302.50, Sept 304 sellers.

Soyameal—(U.S. $ per tonne): 44 per cent protein U.S.: Afl 262, June 261, July 264, June-Sept 267.50, Nov-March 281. Brazil Pellets: Afl 266, June 270, July 274, June-Sept 276.

PARIS, June 1.

Cocoa—(FFr per 100 kilos): July 1010 asked, Sept 1038-1045, Dec 1065-1074, March 1105-1115, May 1115-1145, July 1135-1160. Sales at call: nil.

Sugar—(FFr per tonne): July 2660-2690, Aug 2668-2676, Oct. 2625-2630, Nov 2625 limit up bid, Dec 2612-2615, March 2662-2670, May 2680-2720, July 2685-2725. Sales at call: 8.

INDICES

FINANCIAL TIMES

May 29	May 28	Month ago	Year ago
255.14	255.19	258.64	268.23

(Base: July 1, 1952=100).

DOW JONES

Dow Jones	May 29	May 28	Month ago	Year ago
Spot	400.12	394.64	398.33	422.64
Fut'rs	401.85	399.92	412.04	448.54

(Average 1924-25-26=100).

MOODY'S

May 29	May 28	Month ago	Year ago
1093.3	1094.4	1103.5	1118.7

(December 31, 1931=100)

REUTERS

June 1	May 29	M'nth ago	Year ago
1732.7	1720.4	1680.4	1694.1

(Base: September 18, 1931=100)

Equity markets enlivened by dawn raid on Eagle Star
Leading industrials better and Gilts improve afresh

Account Dealing Dates
Option

*First Dealings	Declara-tions	Last Dealings	Account Day
May 18	May 28	May 29	June 8
June 1	June 11	June 12	June 22
June 15	June 25	June 26	July 6

* "New-time" dealings may take place from 9.30 am two business days earlier.

The first day of the new trading Account in London stock markets ended on a reasonably bright note yesterday. Gilt-edged securities made further headway, albeit at a slower pace than recently, while equities managed to shake off concern about the possibility of further heavy funding and moved higher.

Trading conditions were slow, but the day's proceedings were enlivened by a flurry of activity in the Insurance sector following the purchase through the market by Rowe and Pitman of a 14.9 per cent stake in Eagle Star at 290p per share on behalf of Allianz Versicherungs of Germany. The latter is also making a tender offer at a maximum of 290p per share for a further 20,420,000 shares in Eagle which, together with shares already purchased, will bring its holding to 29.9 per cent. Eagle closed 39½ higher at 270p xd, after 290p xd, while gains in other Composites ranged to 13 and the sector index jumped 4.7 per cent to 157.78.

Elsewhere, leading equities made an uncertain start, early sentiment not being helped by continuing rights issue fears and a batch of gloomy economic forecasts. The absence of selling, however, encouraged some professional buying which saw prices improve from the lower levels and the FT 30-share index, down 2.5 at 10 am, closed 6.7 at 549.2. The after-hours' tone was given a boost by an early show of strength on Wall Street.

Helped by the trend in U.S. interest rates—several other American banks lowered prime rates by ½ per cent in line with last week's reduction by Chase Manhattan—Gilt-edged securities maintained the recent firmer trend. Trading was not particularly lively, but sufficient support developed to leave mediums and longs with rises ranging to ½. Exceptionally, Exchequer 13¼ per cent 1987, advanced ¾ to 103¾. Short-dated stocks were not left out of the picture, above-average gains of around ½ being recorded in Treasury 8¼ per cent 1982, at 95½, and Exchequer 8¼ per cent 1983, at 95 xd.

Business in Traded options was again disappointing with only 603 deals arranged, although puts accounted for a respectable 113 of these. Interest was shown in Courtaulds' call positions on recovery hopes and 153 contracts were completed, of which 85 were struck in the July 60's.

Murray Technology made a quiet market debut: from an opening level of 107p, the shares slipped to 103p before closing at 105p compared with the placing price of 100p.

Eagle Star below best

The surprise dawn-raid on Eagle Star highlighted the Insurance sector; the shares soared to 290p before closing a net 39½ higher at 270p xd. Other Composites made good progress in sympathy. Commercial Union, recently the subject of much takeover speculation and the holder of a 4.95 per cent stake in Allianz, jumped 11 to 162p, while GRE, 278p, and Royals, 375p, advanced 10 apiece. General Accident rose 8 to 296p as did Sun Alliance, to 808p. Phoenix, recently dull on disappointing first-quarter profits, rallied 6 to 246p.

Hambros once again featured the banking sector, jumping 65 to a 1981 peak of 865p on investment buying ahead of the preliminary results due later this month. Elsewhere in merchant banks, Hill Samuel hardened 3 to 147p but Arbuthnot Latham lost 5 on profit-taking to 283p. Reflecting last Friday's denial of any fund-raising plans, Midland edged forward 3 to 310p.

The absence of sellers promoted renewed firmness among Breweries. Bass added 4 to 239p, while Whitbread closed 3½ to the good at 182p xd. Allied, annual results due on Friday, hardened 1½ to 73p. Among regionals, Wolverhampton and Dudley put on 3½ to 238p xd on further consideration of Friday's interim statement.

Tunnel B, in receipt of a bid from T. W. Ward, jumped to 460p before closing only 4 up at 444p following the announcement that Rio Tinto-Zinc had acquired a 5.3 per cent stake in the company. Ward closed 10 higher at 123p, after 127p, and the 7½ per cent Convertible rose 8½ points to £104½, after £106, on a Press suggestion that RTZ might bid for Ward. Elsewhere in the Building sector, Western Brothers dropped 10 to 60p following the poor results and dividend omission, but W. and J. Glossop, preliminary results tomorrow, improved 2 to 60p. George M. Callender added 4 to 74p on revived takeover speculation, while Higgs and Hill, 122p, and Montague L. Meyer, 76p, firmed 2 apiece following favourable Press mention. Bellway rose 4 to 91p xd on suggestions that the company might attract a counter bid to William Leech's agreed one-for-one share exchange offer.

Leading Chemicals improved, ICI rising 6 to 292p and Fisons a couple of pence to 155p. Coalite, preliminary results tomorrow, added a penny to 111p, while Novo Industries B, £94, registered a Press-inspired gain of 8.

Stores quietly firm

Stores took on a firmer stance, although business remained at a low ebb. Debenhams, preliminary results today, added a penny to 101p. First-half results from Martin The Newsagent were well-received and the close was 8 higher at 240p. Interest was also shown for John Menzies, 10 up at 490p, but W. H. Smith A eased a couple of pence to 180p. Cornell Dresses picked up 3 to 138p, but Wearwell shed 2 to 87p and Polly Peck gave up 8 more to 247p. Scattered support was evident for House of Lerose, 4½ better at 93½p, and for Bremner, a similar amount to the good at 58p.

Electrical leaders started the new Account on a quietly firm note. Sporadic investment support prompted gains of around 9 in Thorn EMI, 400p, GEC, 687p, and Plessey, 311p. Elsewhere, Farnell put on 7 to 475p as did Pifco A to 170p. Acquisition details helped Suter put on 3 to 78p and the Deferred 2 to 69p. Normand, on the other hand, still reflecting the poor results, dipped 3 further to 24p.

Hawker rose 6 to 304p in response to Press comment, while other Engineering majors recorded improvements of about a penny following a quiet trade. John Brown put on 2 to 91½p as did GKN, to 164p. Secondary issues were featured by F. Pratt which gained 6 to 86p on revived bid speculation. Westland rose 5 to 144p and Brooke Tool improved a few pence to 51½p. Laird softened 2 to 135p following the annual meeting.

Among Foods, British Sugar shed 2 to 335p to equal the cash offer from S. & W. Berisford, unchanged at 132p, and encouraging thoughts that the latter was again buying shares in BSC; Berisford announced that it will not increase its revised bid terms. Elsewhere, Bernard Matthews slipped further to 145p before closing 7 down at 150p ex the scrip issue on concern about French competition.

The Chairman's revelation about the possibility of a U.S. deal, announced at the annual meeting, made no apparent impact on Savoy A, unchanged at 190p; bidders Trusthouse Forte held at 142p. Demand ahead of Friday's preliminary results lifted Prince of Wales Hotels 7 to 72p.

Chas. Hill rise

Miscellaneous Industrial leaders were notable for a late show of strength in Glaxo which attracted buyers in the after-hours' dealings and closed 12 higher at 348p. Awaiting today's annual figures, Reed International advanced 5 to 245p and Beecham hardened 2 to 191p ahead of Thursday's preliminary results. Unilever put on 6 to 544p and Bowater added 3 at 258p. Elsewhere, Charles Hill of Bristol, currently in receipt of a 100p per share bid from a consortium headed by Mr Alistair Milne, jumped 22 to 124p on Press suggestions of a possible counter-bid. Still drawing strength from the strong second-half profits recovery, Extel added 11 to 223p, while Lesney Products rose 2 to 24p despite news of the near £11m annual deficit. Dundonian put on 4 to 73p in front of today's results and Avon Rubber gained 4 to 100p ahead of tomorrow's interim figures. Crest Nicholson rose 4 to 166p on Press comment and British Aerospace improved 6 to 227p on investment buying. Sangers, however, shed 4 to 53p on the poor results and Polymark lost 6 to 126p awaiting further news of the bid situation. In the wake of the capital reconstruction and rights issue, Change Wares were quoted at 58p ex-all, down 7.

Samuelson Film Service, a narrow market, attracted further support and advanced 28 to 298p.

Eucalyptus Pulp and Paper continued to respond to speculative buying and advanced 18 for a two-day gain of 50 at 168p. In contrast, Transparent Paper shed a couple of pence to 30p following sharply reduced full-year earnings and the nominal dividend.

Properties took a firmer line, but trading was thin. Land Securities rose 6 to 395p xd, while MEPC, interim results today, added 4 to 230p. Further consideration of the annual results and property revaluation left Capital and Counties 3 up at 124p, while Great Portland Estates improved 4 to 230p. Press comment directed fresh attention towards Law Land which added 3 to 100p, while Churchbury Estates advanced 10 to 595p and Westminster and Country 4 to 75p on revived speculative interest. Swire Properties put on 14 to 134p on Far-Easter advices.

Oils subdued

A few pence easier at first, the majority of Oil shares picked up to close little changed. British Petroleum, first-quarter figures on Thursday, slipped to 382p before reverting to 386p, but Shell remained 4 off at 376p. Elsewhere, Burmah came in for late support and closed 4 up at 151p, while small buying in a thin market lifted Berkeley Exploration 18 to 328p. Consideration of the company's plan to hive-off its drilling subsidiary left KCA International 9 dearer at 191p, while Aran Energy put on 7 to 87p following a Press mention.

The odd firm feature emerged in a generally idle Textile sector. Recovery hopes continued to bolster Courtaulds, 3 dearer at 71p xd, while speculative support lifted Trafford Carpets 6½ to 22p and Yorkshire Fine Woollen Spinners 5 to 41p, the last-mentioned being additionally helped by Press comment. Hield Bros. firmed 1½ to 15½p to match the increased shares and cash offer from Stroud Riley Drummond, a penny easier at 60p.

Tobaccos ended on a firm note. Bats continued to attract good-quality support and added 5 to 352p. Renewed interest was shown for Rothmans, 2½ up at 62p.

Plantations displayed a firm appearance. Highlands and Lowlands rose 6 more to 81p, while similar rises were marked against Malakoff, 145p, Kulim, 68p, and London Sumatra, 410p xd.

Golds steady

The closure of the Johannesburg market for a public holiday led to a quiet day in South African mining markets. Golds held steady throughout the day reflecting the $3 rise in the bullion price to $482.50 following the further cuts in American interest rates. The Gold Mines index edged up 0.3 to 357.2.

Heavyweights showed gains to ¾ as in Western Holdings, £32¾, and West Driefontein, £33⅝, while, in the medium-priced issues, Stilfontein put on 16 to 884p in front of the dividend declaration due tomorrow.

In financials, Tanks rallied from 308p to close a net 2 firmer at 315p ahead of the results which are expected today. Anglo American Corporation dropped 17 to 700p; the annual results should be known after market hours today.

Tins were highlighted by sharp gains in Renong Tin and Pengkalen following heavy speculative demand from Kuala Lumpur and Singapore. Renong jumped 30 to 190p, after 195p, while Pengkalen advanced 25 to a 1981 high of 115p.

Australians were again featured by Western Mining, which moved up to a 1981 high of 325p prior to closing a net 11 firmer at 321p on further consideration of the forthcoming oil and gas drilling programme in the Canning Basin. Other Canning Basin oil stocks were quietly steady.

Favourable Press comment prompted support for Hampton Areas, 5 up at 200p, and Paringa, 4 to the good at 72p.

Heavy overnight buying in Sydney and Melbourne markets, following persistent bid speculation, lifted Northern Mining partly paid 18 to 158p; the fully paid were quoted at a nominal 165p.

NEW HIGHS AND LOWS FOR 1981

The following quotations in the Share Information Service yesterday attained new Highs and Lows for 1981.

NEW HIGHS (80)
BRITISH FUNDS (4)
CORPORATION LOANS (1)
AMERICANS (9)
BANKS (3)
BEERS (1)
BUILDINGS (5)
CHEMICALS (2)
DRAPERY & STORES (4)
ELECTRICALS (4)
ENGINEERING (2)
FOODS (1)
INDUSTRIALS (18)
INSURANCE (2)
LEISURE (3)
MOTORS (1)
NEWSPAPERS (2)
PAPER (1)
PROPERTY (3)
SHOES (1)
TEXTILES (3)
TRUSTS (9)
OIL & GAS (3)
MINES (2)

NEW LOWS (16)
AMERICANS (2)
Tenneco — Tenneco 10pcLn. Stk.
BANKS (1)
Midland 7½pc 83-93
CHEMICALS (1)
Norsk Hydro
STORES (1)
Milletts Leisure
INDUSTRIALS (1)
Standard Ind.
LEISURE (1)
Man. Agency Music
PROPERTY (2)
Brit. Land 12pc Cnv. — Cap. Metropolitan
TRUSTS (1)
Hampton Trust
OIL & GAS (5)
Clyde Petroleum — Texaco 4¾pc Cnv.
Gulfstream Rescs. — Tricentrol
Royal Dutch
OVERSEAS TRADERS (1)
Lonrho

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	80	1	15
Corpns. Dom. & Foreign Bonds	25	2	41
Industrials	286	206	864
Financial & Props.	102	89	293
Oils	32	27	27
Plantations	3	—	14
Mines	49	39	78
Others	55	46	81
Totals	650	424	1,413

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
Commercial Union	162	+11	Tanks Consolidated	315	+ 3
Dunlop	86	+ 2	Thorn EMI	400	+ 8
Eagle Star	270xd	+39½	Trafford Carpets	22	+ 6½
GEC	687	+ 9	Tunnel "B"	444	+ 4
Hill (C.) of Bristol	124	+22	Ward (T. W.)	123	+10
Plessey	311	+ 9	Western Mining	321	+11

FRIDAY ACTIVE STOCKS

Based on bargains over the five-day period ending Thursday

Stock	No. of price changes	Friday's closing price pence	Day's change	Stock	No. of price changes	Friday's closing price pence	Day's change
RTZ	30	520	−10	Beecham	17	190	− 2
Premier Consd.	24	68	− 3	P & O Dfd.	17	131	—
Boustead	23	142	+14	Barclays Bank	16	395	− 5
Fisons	21	153	− 4	Courtaulds	16	68	+ 5
NCC Energy	20	128	—	Mks. & Spencr.	15	132	− 2
ICI	19	286	− 4	Midland Bank	15	307	− 5
Burmah Oil	18	147	− 6	Dunlop	14	84	+ 1

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
May 26	June 5	Aug. 26	Sept. 7
June 8	June 19	Sept. 10	Sept. 21
June 22	July 3	Sept. 24	Oct. 5

For rate indications see end of Share Information Service

Calls were arranged in Fisons, Intervision Convertible, Exeter Building, Burmah, Tecalemit, Pilkington, Law Land, Premier Oil, Ultramar, May and Hassell, Allied Colloids and Culter Guard Bridge. Puts were taken out in Phoenix Timber and Lasmo, while doubles were completed in Fisons and ICL.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

	Mon., June 1, 1981: Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Fri. May 29 Index No.	Thur. May 28 Index No.	Wed. May 27 Index No.	Tues. May 26 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (214)	344.45	+0.8	11.05	4.55	11.16	341.64	344.05	343.87	340.85	222.42
2 Building Materials (25)	302.08	+0.1	14.87	5.81	8.05	301.72	304.39	303.53	304.31	230.94
3 Contracting, Construction (28)	572.34	+0.1	16.71	4.92	7.04	571.82	574.68	564.17	563.03	337.10
4 Electricals (28)	1074.85	+1.2	8.06	2.45	15.43	1061.67	1065.37	1066.22	1051.54	556.73
5 Engineering Contractors (11)	486.03	+0.2	12.01	5.55	10.30	485.23	488.49	485.33	486.48	255.65
6 Mechanical Engineering (70)	212.15	+1.1	13.23	5.74	9.47	209.90	212.92	212.13	211.24	147.64
7 Metals and Metal Forming (13)	163.60	+0.5	9.63	7.28	13.53	162.86	165.33	164.05	164.46	167.86
8 Motors (21)	105.76	+0.4	5.98	6.94	30.43	105.39	105.38	105.89	106.28	94.98
10 Other Industrial Materials (18)	366.45	+0.9	10.88	5.45	11.03	363.26	364.89	364.26	360.59	[illegible]
21 CONSUMER GROUP (195)	279.12	+0.4	13.01	5.71	9.39	277.89	279.58	278.78	276.08	207.30
22 Brewers and Distillers (20)	309.57	+1.0	15.00	6.14	7.91	306.36	306.43	306.52	303.69	243.69
23 Food Manufacturing (21)	250.61	−0.1	15.61	6.46	7.83	250.79	252.77	253.06	254.06	185.66
24 Food Retailing (14)	517.96	+0.1	9.63	3.40	12.34	517.24	520.29	521.21	516.50	293.25
25 Health and Household Products (7)	307.92	+1.5	8.77	4.65	13.56	303.46	308.05	303.20	304.26	181.38
26 Leisure (23)	383.14	+0.4	10.39	6.73	11.99	381.60	386.30	381.86	386.07	294.54
32 Newspapers, Publishing (12)	513.28	+1.1	11.57	5.49	12.19	513.15	515.05	514.95	513.49	407.02
33 Packaging and Paper (13)	147.07	+0.8	18.24	7.81	6.43	145.87	149.00	149.11	147.98	119.07
34 Stores (44)	273.65	−0.5	10.59	4.83	12.64	274.96	276.63	275.33	276.84	203.29
35 Textiles (23)	165.13	+1.1	8.83	5.70	13.63	157.17	154.40	156.62	154.07	137.78
36 Tobacco (3)	257.10	+1.6	22.49	9.65	5.10	253.16	256.81	253.43	246.29	199.55
37 Other Consumer (16)	302.30	+0.4	9.98	6.28	13.75	301.24	304.18	304.96	305.05	[illegible]
41 OTHER GROUPS (79)	230.38	+0.6	13.32	6.55	9.19	228.95	230.57	230.97	230.45	179.17
42 Chemicals (15)	287.81	+1.4	15.16	7.20	11.26	283.82	285.40	283.46	282.90	250.89
44 Office Equipment (6)	112.75	−0.9	16.37	7.42	7.21	113.76	114.92	114.90	115.33	99.57
45 Shipping and Transport (13)	561.18	+0.3	16.27	6.65	7.36	559.73	561.68	561.38	560.82	491.64
46 Miscellaneous (45)	299.69	+0.1	13.71	6.32	8.76	299.46	300.82	300.27	297.97	233.67
49 INDUSTRIAL GROUP (488)	298.55	+0.6	12.36	5.38	9.96	296.72	298.84	298.16	296.14	[illegible]
51 Oils (12)	799.16	−0.2	22.31	7.05	4.97	800.76	805.67	798.25	814.58	778.00
59 500 SHARE INDEX	335.12	+0.5	14.11	5.68	8.43	333.58	335.74	334.49	335.46	257.60
61 FINANCIAL GROUP (118)	249.00	+1.3	—	5.77	—	245.89	247.33	248.05	246.91	215.85
62 Banks (6)	247.47	+0.6	37.19	7.33	3.13	245.90	247.23	246.54	244.38	287.52
63 Discount Houses (10)	282.87	+1.3	—	7.51	—	282.80	283.59	283.56	283.57	[illegible]
64 Hire Purchase (4)	267.47	—	—	4.64	16.44	267.52	267.77	267.61	267.49	191.51
65 Insurance (Life) (10)	250.12	+0.4	—	5.98	—	249.13	250.44	251.71	250.08	188.66
66 Insurance (Composite) (9)	157.78	+4.7	—	7.81	—	150.65	152.50	154.06	153.61	123.50
67 Insurance Brokers (8)	366.16	−0.3	11.95	5.31	11.51	369.43	373.51	372.01	368.70	249.49
68 Merchant Banks (13)	163.60	+1.7	—	5.93	—	160.87	160.05	160.55	159.81	100.87
69 Property (48)	476.84	+0.5	3.70	2.88	37.19	474.64	477.47	479.01	478.61	386.22
70 Miscellaneous (10)	168.62	−0.3	18.19	6.14	6.47	169.07	168.98	169.45	169.17	125.56
71 Investment Trusts (109)	305.28	+0.4	—	5.19	—	303.76	304.61	304.12	302.07	214.76
81 Mining Finance (3)	257.13	+0.7	13.53	5.22	8.99	255.32	258.88	260.72	259.92	179.89
91 Overseas Traders (20)	473.22	−0.4	17.09	6.28	6.26	474.97	477.17	479.51	481.24	390.99
99 ALL-SHARE INDEX (750)	317.31	+0.5	—	5.67	—	315.58	317.64	316.81	317.36	242.09

FIXED INTEREST

PRICE INDICES	Mon. June 1	Day's change %	Fri. May 29	xd adj. today	xd adj. 1981 to date
British Government					
1 5 years	108.04	+0.17	108.39	0.33	4.58
2 5-15 years	109.81	+0.22	109.57	—	4.96
3 Over 15 years	112.75	+0.24	112.48	—	4.93
4 Irredeemables	122.84	+0.37	122.61	0.23	6.46
5 All stocks	109.90	+0.21	109.77	0.11	4.53
6 Debentures & Loans	85.23	+0.26	85.31	0.29	4.89
7 Preference	64.88	−0.17	65.13	0.14	3.29

AVERAGE GROSS REDEMPTION YIELDS		Mon. June 1	Fri. May 29	Year ago (approx.)
British Government				
1 Low Coupons	5 years	11.86	11.94	12.59
2	15 years	12.53	12.51	12.58
3	25 years	12.80	12.88	12.93
4 Medium Coupons	5 years	13.74	13.78	14.21
5	15 years	14.17	14.20	13.99
6	25 years	13.90	13.94	13.62
7 High Coupons	5 years	13.73	13.78	14.27
8	15 years	14.32	14.36	14.28
9	25 years	14.10	14.13	14.03
10 Irredeemables		12.72	12.75	12.09
11 Debs & Loans	5 years	14.98	14.92	14.72
12	15 years	14.98	15.04	14.85
13	25 years	14.94	14.94	14.53
14 Preference		15.29	15.19	15.00

† Flat yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 26p.

RECENT ISSUES

EQUITIES

Issue Price p‡	Amount Paid Up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing Price p‡	+ or −	Div. P. or Amount	Times Covered	Gross Yield	P.E. Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid Up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing Price £	+ or −
[illegible]							

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing Price p	+ or −
[illegible]							

Renunciation date usually last day for dealing free of stamp duty. [illegible]

FINANCIAL TIMES STOCK INDICES

	June 1	May 29	May 28	May 27	May 26	May 22	A year ago
Government Secs.	67.84	67.67	67.25	66.97	66.71	66.50	67.11
Fixed Interest	68.81	68.77	68.67	68.43	68.32	68.23	68.19
Industrial Ord.	549.2	542.5	545.6	545.4	547.6	543.4	412.7
Gold Mines	357.2	356.9	354.2	348.1	355.5	361.6	339.2
Ord. Div. Yield	5.99	6.06	6.02	6.04	6.03	6.07	8.69
Earnings, Yld. % (full)	11.52	11.68	11.61	11.76	11.76	11.86	21.09
P/E Ratio (net) (*)	10.87	10.73	10.65	10.65	10.68	10.59	5.75
Total bargains	19,564	20,215	18,782	18,429	18,763	17,688	19,195
Equity turnover £m.	—	142.57	119.67	119.16	93.84	105.94	94.09
Equity bargains	—	17,451	15,488	14,465	13,348	13,050	14,874

10 am 540.0. 11 am 542.8. Noon 546.1. 1 pm 545.8. 2 pm 545.8. 3 pm 546.3.
Latest Index 01-246 8026.
*Nil=10.04.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

HIGHS AND LOWS

	1981 High	1981 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	70.61 (8/1)	65.39 (12/5)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	72.01 (28/8)	63.83 (22/6)	150.4 (28/11/47)	50.53 (3/1/75)
Ind.Ord.	597.3 (30/4)	446.0 (14/1)	597.3 (30/4/81)	49.4 (26/6/40)
Gold Mines	421.1 (16/1)	281.4 (29/1)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	May 29	May 28
—Daily		
Gilt Edged Bargains	151.5	161.3
Equities Bargains	113.1	100.8
Value	288.2	341.9
5-day Avrge.		
Gilt Edged Bargains	160.9	156.8
Equities Bargains	93.0	88.0
Value	236.1	226.5

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

Craigmount Fixed Int. Mngrs. (Jersey)
P.O. Box 195, St. Helier, Jersey. 0534 27561
Gilt Fund (Jsy.) 92.2 | 92.3xd | ..... | 14.62
Valued weekly Wednesday.

DWS Deutsche Ges. F. Wertpapiersp
Gruneburgweg 113, 6000 Frankfurt
Investa DM31.97 | 33.60 | +0.30 | —

Delta Group
P.O. Box 3012, Nassau, Bahamas
Delt. Inv. May 26 $4.95 | 5.20 | ..... | —
London Agents: Kleinwort Benson. Tel: 01-623 8000

Deutscher Investment-Trust
Postfach 2685 Biebergasse 6-10 6000 Frankfurt
Concentra DM16.73 | 17.15 | +0.10 | —
Int. Rentenfonds DM62.25 | 63.81 | ..... | —

Dreyfus Intercontinental Inv. Fd.
P.O. Box N3712, Nassau, Bahamas.
NAV May 19 US$33.33 | 35.46 | +0.63 | .....

Duncan Lawrie Inv. Mgt. (Jersey)
15-17, New St., St. Helier, Jersey 0534 73637
DL Sterling 38.9 | 40.8 | ..... | 7.20
DL International 51.34 | 1.41 | ..... | 5.30

Emson & Dudley Tst. Mgt. Jrsy. Ltd.
P.O. Box 73, St. Helier, Jersey. 0534 73933
E.D.I.C.T. 163.6 | 176.4 | ..... | 2.20

The English Association
4 Fore Street, EC2. 01-588 7081
E. A. Income Fund* 64.6 | 68.8 | ..... | 7.27
E. A. Sterling* £68.69 | 68.74 | ..... | —
E. A. Equity* £69.88 | 74.35 | ..... | 1.68
Wardgate Cm. Fd.** £17.20 | 17.80 | +0.01 | 2.79
*Next dealing June 3. **Next dealing June 30.

Eurobond Holdings N.V.
Pietermaai 15, Willemstad, Curacao.
London Agents: Intel 15 Christopher St., EC2. Tel: 01-247 7243. Telex 8814408.
Euro Hldgs. US$20.01 | 20.61 | ..... | 10.66

S.G. Europe Obligations S.A.
9, Avenue de la Liberte, Luxembourg
London Agent: FFS, Salisbury Hse, London Wall EC2M 5TA. Tel 01-920 0776 Telex 887281
Europe-Obligations US$42.50 | −0.01 | 1.93

F & C Mgmt. Ltd. Inv. Advisers
1, Laurence Pountney Hill, EC4. 01-623 4680
F&C Atlantic Fd. SA US$12.71 | +0.35 | 1.18
F. & C. Oriental Fd. US$23.25 | −0.63 | 0.43
Prices May 27. Weekly dealings.

Fidelity International Ltd.
P.O. Box 670, Hamilton, Bermuda.
8, Queensway Hse., Queen St., St. Helier, Jersey, C.I. 0534 71696
American Assets US$43.99 | ..... | 1.09
Am. Vals. Com.Pf. $101.25 | ..... | —
American Vals. Com. $17.86 | ..... | —
Dollar Savings Trust US$79.71 | ..... | 16.84
Far East US$34.14 | +0.11 | —
International US$45.42 | ..... | —
Pacific US$112.78 | ..... | —
World US$26.89 | ..... | —
Gilt Fund 22.9 | 23.1 | +0.1 | 13.53
*Prices at April 1.

Hill Samuel Invest. Mgmt. Intnl.
P.O. Box 63, Jersey. 0534 27381
HS Channel Is. Fd. 147.6 | 157.4xd | −0.1 | 3.25
H.S. Fixed Int. Fd. 91.0 | 96.0 | ..... | 12.70
Box 2622, Berne, Switzerland. Telex 33425.
H.S. Overseas Fd. US$25.57 | 26.99 | −0.10 | —

Rothschild Asset Management (C.I.)
P.O. Box 58, St. Julians Ct., Guernsey. 0481 26331
O.C. America Fd.† US$2.71 | 2.87 | ..... | 0.59
OCSm. Co.*** 124.0 | 131.9 | ..... | 2.50
O.C. Commodity* 95.3 | 103.4 | +2.1 | 6.69
O.C. Dir. Comdty.† US$44.11 | ..... | 2.05

[illegible]

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)

Allen Harvey & Ross Unit Tst. Mngrs.

Allied Hambro Ltd. (a) (g)

Anderson Unit Trust Managers Ltd.

Ansbacher Unit Mgmt. Co. Ltd.

Anthony Wieler Unit Tst. Mgmt. Ltd.

Arbuthnot Securities Ltd. (a)(c)

Archway Unit Tst. Mgs. Ltd.♥ (a)(c)

Barclays Unicorn Ltd.♥ (a)(c)(g)

Baring Brothers & Co. Ltd.♥ (a)(x)

Bishopsgate Progressive Mgmt. Co.♥

Bridge Fund Managers (a)(c)

Britannia Gp. of Unit Trusts Ltd.(a)(c)(g)

The British Life Office Ltd.♥ (a)

Brown Shipley & Co. Ltd.♥(a)(g)

Buckmaster Management Co. Ltd.

Canada Life Unit Trust. Mngrs. Ltd.♥

Capel (James) Mngt. Ltd.

Carr, Sebag Unit Trust Managers(a)

Charities Official Invest. Fund

Chieftain Trust Managers Ltd.♥ (a)(g)

Confederation Funds Mgt. Ltd. (a)

Craigmount Unit Tst. Mgrs. Ltd.

Crescent Unit Tst. Mgrs. Ltd. (a)(g)

Darlington Unit Trust Mngt. Ltd.

Discretionary Unit Fund Managers

E. F. Winchester Fund Mngt. Ltd.

Equity & Law Un. Tr. M.♥ (a)(b)(c)

Fidelity International Management Ltd.

James Finlay Unit Trust Mngt. Ltd.

Framlington Unit Mgt. Ltd. (a)

Robert Fraser Trust Mgt. Ltd.

Friends' Provdt. Trust Mgrs. (a) (b) (c)

Funds in Court♥

G.T. Unit Managers Ltd.♥

G. & A. Trust (a) (g)

Gartmore Fund Managers♥ (a)(g)

Gibbs (Antony) Unit Tst. Mgs. Ltd. (a)

Govett (John)

Grieveson Management Co. Ltd.

Guardian Royal Ex. Unit Mgrs. Ltd.

Henderson Administration (a) (b) (c)

Hill Samuel Unit Tst. Mgrs.♥ (a)

Investment Intelligence Ltd. (a)

Key Fund Managers Ltd. (a)(g)

Kleinwort Benson Unit Managers♥

L & C Unit Trust Management Ltd.

Legal & General (Unit Tst. Mngrs.) Ltd.♥

Leonine Administration Ltd.

Lloyds Bk. Unit Tst. Mngrs. Ltd.♥ (a)

Lloyd's Life Unit Tst. Mngrs. Ltd.

Local Authorities' Mutual Invest. Tst.*

M & G Group (y)(c)(z)

ManuLife Management Ltd.

Mayflower Management Co. Ltd.

McAnally Fund Management Ltd.

Mercury Fund Managers Ltd.

Midland Bank Group Unit Trust Managers Ltd.♥ (a)

Minster Fund Managers Ltd.

MLA Unit Trust Mngmnt. Ltd.

Murray Johnstone U.T. Mgmt.♥ (a)

Mutual Unit Trust Managers♥ (a)(g)

National Provident Inv. Mngrs. Ltd.♥

National Westminster♥ (a)

NEL Trust Managers Ltd.♥ (a)(g)

Northgate Unit Trust Managers Ltd. (c)(y)

Norwich Union Insurance Group (b)

Pearl Trust Managers Ltd. (a)(g)(z)

Pelican Units Admin. Ltd. (g)(x)

Perpetual Unit Trust Mngmt.♥ (a)

Practical Invest. Co. Ltd. (y)(c)

Provincial Life Inv. Co. Ltd.♥

Prudl. Portfolio Mngrs. Ltd.♥ (a)(b)(c)

Quilter Management Co. Ltd.♥

Reliance Unit Mgrs. Ltd.♥

Ridgefield Management Ltd.

Rothschild Asset Management (a) (g) (c)

Rowan Unit Trust Mngt. Ltd.♥ (a)

Royal Tst. Can. Fd. Mgrs. Ltd.

Save & Prosper Group

Schroder Unit Trust Managers Ltd.

Scottish Amicable Invest. Mngrs. Ltd.

Scottish Equitable Fnd. Mgrs. Ltd.♥

SIMCO Money Funds

Stewart Unit Tst. Managers Ltd.(a)

Sun Alliance Fund Mangmt. Ltd.

Target Tst. Mngrs. Ltd.♥(a)(g)

Tower Unit Trust Mngt. Ltd.

Trades Union Unit Tst. Managers♥

Transatlantic and Gen. Secs. (c) (y)

TSB Unit Trusts (y)

Ulster Bank♥ (a)

Unit Trust Account & Mgmt. Ltd.

INSURANCE PROPERTY BONDS

Abbey Life Assurance Co. Ltd.

Albany Life Assurance Co. Ltd.

AMEV Life Assurance Co. Ltd.♥

Barclays Life Assur. Co. Ltd.

Black Horse Life Ass. Co. Ltd.

Canada Life Assurance Co.

Cannon Assurance Ltd.

Capital Life Assurance♥

Charterhouse Magna Gp.♥

Chieftain Assurance Funds

City of Westminster Assurance

Commercial Union Group

Confederation Life Insurance Co.

Cornhill Insurance Co. Ltd.

Credit & Commerce Insurance

Crown Life

Crusader Insurance Co. Ltd.

Eagle Star Insur./Midland Assur.

Equity & Law Life Ass. Soc. Ltd.♥

Equity & Law (Managed Funds) Ltd.

Family Assurance Society

Assicurazioni GENERALI S.p.A.

General Portfolio Life Ins. C. Ltd.♥

Growth & Sec. Life Ass. Soc. Ltd.♥

Guardian Royal Exchange

Hambro Life Assurance Limited

Hearts of Oak Benefit Society

Henderson Administration

Hill Samuel Life Assur. Ltd.♥

Imperial Life Ass. Co. of Canada

Irish Life Assurance Co. Ltd.

King & Shaxson Ltd.

Langham Life Assur. Co. Ltd.

Legal & General (Unit Assur.) Ltd.♥

Legal & General Prop. Fd. Mgrs. Ltd.

Life Assur. Co. of Pennsylvania

Lloyds Life Assurance

London Indemnity & Gnl. Ins. Co. Ltd.

London A'dson & Nthn. Mtl. Assur. Ltd.

London Life Linked Assur. Ltd.

The London & Manchester Ass. Gp.♥

M & G Group♥

Manufacturers Life Insurance Co.

Merchant Investors Assurance♥

NEL Pensions Ltd.

NPI Pensions Management Ltd.

New Zealand Ins. Co. (UK) Ltd.♥

Norwich Union Insurance Group♥

Phoenix Assurance Co. Ltd.

Planned Savings Group

Premium Life Assurance Co. Ltd.

Prop. Equity & Life Ass. Co.♥

Property Growth Assur. Co. Ltd.♥

Providence Capitol Life Assc. Co. Ltd.

Provincial Life Assurance Co. Ltd.

Prudential Pensions Limited♥

Refuge Investments Limited

Reliance Mutual

Rothschild Asset Management

Royal Insurance Group

Save & Prosper Group♥

Schroder Life Group♥

Scottish Amicable Investments

Scottish Widows' Group

Skandia Life Assurance Co. Ltd.

Standard Life Assurance Company♥

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd.

Sun Life Unit Assurance Ltd.

Target Life Assurance Co. Ltd.

Transinternational Life Ins. Co. Ltd.

Trident Life Assurance Co. Ltd.♥

Tyndall Assurance/Pensions(a)(b)(c)

Vanbrugh Life Assurance♥

Vanbrugh Pensions Limited

Welfare Insurance Co. Ltd.♥

Windsor Life Assur. Co. Ltd.

OFFSHORE & OVERSEAS FUNDS

Albany Fund Management Limited

Alexander Fund

Allen Harvey & Ross Inv. Mgt. (C.I.)

Alliance International Dollar Reserves

Arbuthnot Securities (C.I.) Limited

B.I.A. Bond Investments AG

Bank of America International S.A.

Banque Bruxelles Lambert

Barbican Managers (Jersey) Ltd.

Barclays Unicorn International

Bishopsgate Commodity Ser. Ltd.

Bridge Management Ltd.

Britannia Intl. Investment Mngmt. Ltd.

Brown Shipley Tst. Co. (Jersey) Ltd.

Butterfield Management Co. Ltd.

CAL Investments (IoM) Ltd.

Cipdirex S.A.

Capital Asset Managers Ltd.

Capital International Fund S.A.

Central Assets Management Ltd.

Charterhouse Japhet

Clayton Commodities (Isle of Man) Ltd.

Clive Investments (Jersey) Ltd.

Cornhill Ins. (Guernsey) Ltd.

Cortexa International

Continued on previous page.

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

1981 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
99⅝	97¾	Exch. 9½pc 1981	99⅝	......	9.54	11.62
98⅝	93¾	Exch. 3pc 1981	98⁵/₃₂	+¹/₃₂	3.05	11.44
99¹³/₁₆	99⅛	Treas. Variable '81§§	99¾	......	11.98	12.53
100³/₁₆	99¾	Exch. 12¾pc 1981‡‡	100³/₁₆	......	12.71	11.90
97¹⁵/₁₆	95¹¹/₁₆	Treas. 8½pc '80-82‡‡	97¹³/₁₆	+¹/₁₆	8.67	11.95
95	91⅞	Treasury 3pc '82‡‡	94⅛	+⅛	3.19	11.84
102³/₁₆	100¹/₁₆	Treasury 14pc '82‡‡	101½	+¹/₁₆	13.79	11.82
99⅛	98⅛	Treas. Variable '82§§	99⅞xd	......	13.02	12.65
95¹³/₁₆	93¹⁵/₁₆	Treasury 8¼pc '82	95¹³/₁₆xd	+¹/₁₆	8.59	12.41
96¹/₁₆	93¹³/₁₆	Exch. 9¼pc 1982	95⅝	+¹/₁₆	9.67	12.90
95	92⅝	Exch. 8¾pc 1983	95xd	+½	9.21	12.32
89¼	84⅞	Exch. 3pc 1983	88¾	......	3.38	10.27
99⅝	97⅜	Treasury 12pc 1983‡‡	98¹/₁₆	+³/₁₆	12.23	13.19
98½	96¾	Treas. Variable '83§§	98¹³/₁₆	......	12.09	12.63
94⅛	92¼	Treasury 9½pc '83	93³/₁₆	+⅛	9.92	13.01
101⁵/₁₆	97⅞	Exch. 13½pc '83	100½	+¹/₁₆	13.43	13.22
94⅛	92¼	Exch. 10pc 1983	93⁵/₁₆xd	+⅛	10.68	13.07
87¼	84½	Funding 5½pc '82-84‡‡	85⅞	......	6.41	11.91
96¾	94½	Exch. 11¼pc 1984	95¼	+⅛	11.81	13.35
103³/₁₆	100⅝	Exchequer 14pc 1984	101⅜	+⅛	13.81	13.41
80⅝	78½	Exch. 3pc 1984	80½xd	+⅛	3.74	10.84
98⅝	95½	Treasury 12pc 1984	96½	+⅛	12.43	13.29
107¼	104¹/₁₆	Treasury 15pc 1985	104½	+⅛	14.35	13.39
98⅞	95⅛	Exch. 12pc Cnv. '85	95¾	+⅛	12.53	13.43
75¾	73¼	Treasury 3pc 1985	75	+⅛	4.00	10.93
30¹/₁₆	27¹/₁₆	Treas. 11½pc '85 (30pd)	27⅞	......	12.25	13.50
98⅞	95¼	Exch. 12¼pc 1985	95¹³/₁₆	+⅛	12.78	13.51
97⅞	93⅞	Exch. 11¾pc '86	93⅞	+¹/₁₆	12.51	13.51

Five to Fifteen Years

Over Fifteen Years

Undated

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

1981 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
95	92¼	Aust. 5½pc '81-82	95	......	5.85	13.26
87½	83½	Do. 6pc 1981-83	84¼xd	......	7.12	13.66
67¾	60⅞	N.Z. 7¼pc 1988-92	61¼xd	+1⅛	11.73	14.18
81¾	76½	Do. 7½pc '83-86	76¾xd	......	9.70	13.87
99½	94¾	Sth. Africa 9½pc '79-81	97¼	......	9.76	15.64
141	115	S. Rhod. 2½pc Non-Ass	137	......	—	—
59	43	Do. 3½pc 80-85 Assd.	53	......	6.68	20.60
40	26	Do. 4½pc 87-92 Assd.	36	+1	12.99	19.00
395	333	Zimbabwe Ann (£100pa)	375xd	......	—	21.33

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Continued

ENGINEERING MACHINE TOOLS

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

INSURANCE—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Australian

[illegible]

Tins

[illegible]

Copper

[illegible]

Miscellaneous

High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
330	180	Colby Res. Corp.	315	−15	—	—	—
275	200	Cons. Murch. 10c.	275	......	t030c	1.8	6.2
98	70	††Hemerdon 10c.	70	−3	—	—	—
180	135	Highwood Res.	135	−10	—	—	—
400	300	Northgate C$1	340	−10	—	—	—
580	372	R.T.Z.	522	+2	16.0	3.2	4.4
£125	£93½	Do.9¼%Cn.Un.Ln.'95-2000	£116	......	Q9½%	—	f8.2
143	110	††SPO Minerals 10p	110#	......	—	—	—
47	32	Sabina Inds. C$1.	34	−1	—	—	—
44	28	††SWCM 10p	41	+1	—	—	—
550	465	Tara Exptn. $1	485	......	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ɸ Figures or report awaited.
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ** Regional price.
- ǁ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. ★★ Available only to UK pension schemes and insurance companies engaged in pension business. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1980-81. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Stock	Price	+ or −
Albany Inv. 20p	41	+1
Bertam	14	......
Bdg'wtr. Est. 50p	435	......
Craig & Rose £1	£11½	......
Fife Forge	63	......
Finlay Pkg. 5p	19	......
Graig Ship. £1	£21½	+½
Higsons Brew	73	......
Holt (Jos) 25p	480xd	+4
I.O.M. Stm. £1	155	......
Pearce (C. H.)	950	......
Peel Hldgs.	100	......
Sheff. Refrshmt.	101	......
Sindall (Wm.)	180	−5

IRISH

Stock	Price	+ or −
Conv. 9% '80/82	£92⅞	......
Nat. 9¾% 84/89	£74	......
Fin. 13% 97/02	£79	......
Alliance Gas	80	......
Arnott	235	......
Carroll (P.J.)	88	......
Concrete Prods.	98	......
Heiton (Hldgs.)	28	......
Ins. Corp.	420	......
Irish Ropes	53	......
Jacob	56	......
T.M.G.	15	......
Unidare	100	......

OPTIONS

3-month Call Rates

Industrials					
A. Brew	6½	House of Fraser	14	Utd. Drapery	6½
BOC Intl.	11	I.C.I.	20	Vickers	15
B.S.R.	4½	"Imps"	7	Woolworths	5
Babcock	11	I.C.L.	6	**Property**	
Barclays Bank	36	Ladbroke	30	Brit. Land	8
Beecham	15	Legal & Gen.	20	Cap. Counties	11
Blue Circle	35	Lex Service	10	Land Secs.	37
Boots	20	Lloyds Bank	28	MEPC	20
Bowaters	24	"Lofs"	4½	Peachey	15
Brit. Aerospace	14	London Brick	7	Samuel Props.	13
B.A.T.	25	Lucas Inds.	18	Town & City	2¼
Brown (J.)	7	"Mams"	20	**Oils**	
Burton Ord.	12	Mrks. & Spncr	9	Brit. Petroleum	36
Cadburys	7½	Midland Bank	26	Burmah Oil	16
Courtaulds	6	N.E.I.	7	Charterhall	9
Debenhams	8	Nat. West. Bank	32	KCA	22
Distillers	17	P & O Dfd.	13	Premier	10
Dunlop	7½	Plessey	30	Shell	34
Eagle Star	22	Racal Elect.	34	Tricentrol	30
F.N.F.C.	3½	R.H.M.	5	Ultramar	44
Gen. Accident	30	Rank Org. Ord.	18	**Mines**	
Gen. Electric	60	Reed Intnl.	20	Charter Cons.	21
Glaxo	28	Sears	5	Cons. Gold	45
Grand Met.	14	Tesco	5½	Lonrho	9
G.U.S. 'A'	44	Thorn EMI	30	Rio T. Zinc	45
Guardian	32	Trust Houses	18		
G.K.N.	16	Tube Invest.	18		
Hawker Sidd	25	Turner & Newall	10		
		Unilever	50		

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 28

FINANCIAL TIMES
Tuesday June 2 1981

FURTHER PRESSURE ON BRITAIN TO OFFER DISCOUNTS

Opec minister seeks price freeze

BY RAY DAFTER, ENERGY EDITOR

A MIDDLE EAST oil minister yesterday called for an 18-month freeze on crude oil prices and warned other members of the Organisation of Petroleum Exporting Countries that there may be little hope for increases *in real terms* in the 1980s.

Dr Mana Said Al-Otaiba, the United Arab Emirates Minister of Petroleum and Mineral Resources, said in London that Opec could be in danger of pricing its oil of the market.

The organisation needed time to *think about its long-term* pricing strategy, he said. But he believed that prices might be close to a "reasonable" level and that possibly exporters should "take it easy from now on."

His comments, made at a Financial Times energy conference, came as the leading exporters of the most expensive crudes — Nigeria, Algeria, Libya and Britain — came under stronger industry pressure to cut prices or introduce discounts.

Dr. Otaiba said Opec might be able to achieve pricing unity by the end of next year. This would pave the way for the introduction of a long-term pricing strategy now being reviewed within the organisation.

He hinted that the strategy might be based on a more moderate price-rise formula than that proposed by Opec's long-term strategy committee last year. Under that proposal prices could have risen 2 to 3 per cent a year in real terms.

Dr. Otaiba said the United Arab Emirates, with large oil reserves, wanted a healthy oil market lasting to the turn of the century and beyond. It wished to avoid a situation where its oil could not find a buyer.

His views are shared by Sheikh Ahmed Zaki Yamani, the Saudi Arabian Oil Minister, who has also called for an 18-month price freeze. Saudi Arabia is currently maintaining its high output of 10m to 10.3m barrels a day in a continuing effort to encourage pricing unity among the 13 Opec members.

Oil industry reports suggest that market pressures will force the more hawkish members *of Opec first to offer* discounts and then to trim official prices in line with the Saudi objective of a single reference price of $34 (£16.43) a barrel.

At present the Saudis charge $32 a barrel for Arab light crude while the prices of other members are based on $36 a barrel. The African producers of light, premium-quality crude are still charging $40 to $41 a barrel.

Unconfirmed reports circulating in the industry yesterday indicated that Nigeria had agreed to give a number of companies a $2 a barrel discount on supplies in the third quarter of this year. Other producers are said to be offering more attractive credit terms in a bid to retain customers.

British National Oil Corporation—the main trader of North Sea oil—is watching the market position closely. Within the next few weeks it will be negotiating new supply contracts with both buyers and sellers of crude.

It is thought that some buyers of BNOC crude—particularly the smaller independent companies—will reduce or *cancel their supply contracts* if there is no reduction in the official North Sea price of $39.25 a barrel. Major companies which process North Sea oil in their refineries are also putting pressure on BNOC.

Meanwhile, analyses of the 10 per cent production cut agreed by 10 of Opec's members at the price-fixing meeting in Geneva last month indicate that the move is having a minimal impact on the slack oil market.

The cut was publicised as being about 1.25m barrels a day. Analysts point out that the calculation was based on a notional level of output which is much higher than present actual production levels. In the industry it is believed that the reduction from the present level of Opec output will be only 300,000 to 500,000 b/d.

Conference report, Page 6

RTZ reveals 5% stake in Tunnel

BY RAY MAUGHAN

RIO TINTO-ZINC, the international mining group, has intervened at a late and crucial stage of the £110m bid for Tunnel Holdings by Thos W. Ward, the industrial group and rival cement-manufacturer.

Ward's final offer closes next Monday. Having raised its terms to two of its own shares plus 220p in cash for every Tunnel share, it controls 41.87 per cent of Tunnel's voting equity.

RTZ has revealed a stake of 5.3 per cent in Tunnel's "B" ordinary shares, which accounts for 3.7 per cent of the votes.

The disclosure of the mining group's interest sent the price of Tunnel "B" shares up to 460p *yesterday*. This contrasts with Ward's cash alternative of 435p per share. The price in the market quickly fell back to 444p as RTZ said it was not preparing a counter-bid.

The presence of a major individual buyer of Tunnel shares other than Ward has been discernible for at least the past 10 days. However, RTZ did not push its holdings above the critical 5 per cent mark at which point disclosure becomes mandatory *until late last Friday*.

RTZ yesterday confined itself to the observation that it was "friendly" with Tunnel and said it regarded its holding purely as an investment. The former RTZ chairman, Sir Mark Turner who died last December, had previously served as a director of Tunnel.

Mr Derek Birkin, chairman of *Tunnel, was at a loss to explain* RTZ's late entrance although he felt the premium the mining group had been paying to Ward's terms "indicate the value they put on this company."

Commercial links between RTZ and Tunnel are confined *to a partnership* in the U.S., Canada and Japan in the field of toxic-waste treatment. Prospects in this field have been described by Tunnel as encouraging.

For the moment, however, construction of the first U.S. treatment plant in Groveland, Michigan, has been held back by tenacious local opposition.

Mr Birkin is hopeful that construction of a waste-treatment facility will start this year at Modena, North Italy, but the terms of the partnership exclude RTZ outside North America and Japan.

RTZ has appointed Morgan *Grenfell to act as its financial* adviser in place of Kleinwort Benson, the merchant bank which also acts for Tunnel.

Zaire ends De Beers diamond monopoly

By George Milling-Stanley

DE BEERS' Central Selling Organisation, the major force in world rough diamond marketing, appears to have lost its 14-year exclusive sales arrangement with Zaire, the world's largest producer of industrial diamonds.

Zaire's state-controlled *mineral marketing agency*, Sozacom, has sold about 600,000 carats of rough diamonds in the country's capital, Kinshasa, to three independent dealers, two based in Antwerp and one in London. De Beers was excluded.

Despite the sale last Friday, the Central Selling Organisation, which handles the marketing of about four-fifths of the world's output of rough diamonds, said yesterday it did not think this marked the end of its exclusive arrangement with Zaire.

It had received no formal notification that the relationship

Sozacom will have received only about $6m (£2.87m) from Friday's sale, as Zaire's output is largely composed of the lower-priced industrial *diamonds*.

Zaire's importance to the selling organisation has also been diminished in recent years by a sharp increase in the proportion of its output smuggled out of the country and sold on the world markets.

Nevertheless, if Zaire does manage to make a success of selling its diamonds on the open market this could act a powerful spur to other producers

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Poland's police want to form own union

By Christopher Bobinski in Warsaw

POLAND's much-maligned policemen want to form their own trade union.

Officers from all over the country met at a Warsaw *police depot yesterday to prepare* for talks with the Interior Ministry in an attempt to follow the example of the 10m workers who have successfully established the Solidarity Movement, and the 3m private farmers belonging to Rural Solidarity.

Uniformed police, wearing red arm-bands, manned the gates and refused to talk to reporters.

Policemen have grown increasingly alienated from the rest of society since the strikes of last summer which led to the evolution of Solidarity.

One of the negotiators' main aims is to regain the confidence and respect of the public.

This was badly shaken in March when plain-clothes men beat up three Solidarity officials in Bydgoszcz in a confrontation which brought the country to the brink of a general strike. Many police feel aggrieved that the blame for the action has been placed on the force as a whole.

Demands

It is not clear whether the secret police are involved in the movement, but one of the demands being put forward by police in the provinces is that the uniformed officers should be separated from the security branch.

Police at the Warsaw depot yesterday made it clear they were not going on strike.

"All duties are being carried out. We are an essential service, like the Health Service," one said.

The Warsaw evening paper the Express Wieczorny quoted one officer as saying: "We don't want to be manipulated by various forces in the interests of a few prominent officials we know nothing about."

The police demands are probably similar to those put forward in recent weeks from forces around the country. These include increased overtime pay for night and weekend duty, better housing and recreational facilities.

Removal

"We wanto a abide by the law and carry out our duties well. If anyone disgraces our uniform then we will throw him out of the force," one of the union founders told the paper.

In Katowice, police are demanding the removal of their chief who is charged with corruption. In Suwalki, north eastern Poland, the police have demanded that they not be used "in conflict between society and the Government administration."

Lesney suffers losses of £17.6m

BY JOHN MAKINSON

LESNEY, THE maker of Matchbox toys, lost £17.6m in its last financial year but believes that it is now on course towards a return to profitability.

The company has been obliged to prune its manufacturing capacity and its workforce in the face of weak demand for toys and high interest rates.

Extraordinary costs, arising mostly from redundancy payments and asset sales, contributed £6.7m to the year's losses and the number of employees in the group was cut from 9,213 to 5,470.

About three-quarters of the redundancies occurred in the UK, where manufacturing and warehousing capacity has been halved. Mr Gordon Hay, the company's chairman, said yesterday that he did not expect any further large-scale redundancies or closures.

Losses more than quadrupled from the previous year's figure of £4m but the rate of operating loss slowed slightly in the second half of the latest year, which ended on January 25.

The loss before tax was £4.9m in the second six months, compared with £6m for the first half, and the interest bill also dropped slightly from £3.6m to £3.2m.

The company has slashed its stock from £41.6m in January, 1980 to £19.4m a year later, allowing it to reduce net borrowings from £42.6m to £26.4m.

The extensive reorganisation has been carried out by new management with the support of the group's bankers, which have agreed credit facilities for a further 12 months. The unwillingness of bankers to support heavy losses contributed to the collapse of another toy company, Dunbee-Combex-Marx, a year and a half ago.

Lesney is not paying a dividend on either its ordinary or preference shares. Its share price rose 2p yesterday to close at 24p.

Details, Page 18

Barclays in Zimbabwe plans share sale

BY WILLIAM HALL

Barclays Bank is planning to sell shares in its Zimbabwe subsidiary to local investors. Barclays has been operating in Zimbabwe for nearly 70 years and is the second largest bank.

Barclays Bank International announced yesterday that it had established a local subsidiary, Barclays Bank of Zimbabwe, through which its local operations would be conducted in future.

Mr. Henry Lambert, chairman of Barclays Bank International, said "local incorporation in Zimbabwe is more than just a change of name. It has been a feature of our policy for a number of years to form local subsidiaries wherever possible to run our overseas branch operations."

Barclays has more than 50 offices in Zimbabwe, employs just under 1,500 staff and has assets of over 500m Zimbabwe dollars (£333m). It controls just over a third of all deposits and advances and is second only in size to Standard Bank. The two other major banks are Robank and Grindlays.

Barclays Bank of Zimbabwe will be a wholly-owned subsidiary of Barclays Bank International but Mr Lambert said "we intend to offer shares to the public, with the agreement of the authorities concerned, when the time is right."

Continued from Page 1

Lloyd's retreats on divestment

between brokers and underwriters. The measure will affect all major Lloyd's brokers.

But on the prevention of managing agents (the groups which manage the affairs of underwriting syndicates at Lloyd's) from acting as members' agents (the groups which introduce members to the syndicates) Mr. Boydell said: "We don't believe we will get the members' support for this."

He added that Lloyd's were not prepared to go through with the Bill on that basis. He argued that no recommendations had been made on this point in two internal reports into Lloyd's affairs.

After the four-man Commons committee had deliberated, Mr Meacher told Mr Boydell that it was the committee's opinion that there should be a separation of all managing agents and members' agents.

A delegation from Lloyd's, including Mr Peter Green, the chairman, adjourned to consider the decision. It announced it would accept the committee's ruling and seek support from the membership for the proposal.

Lloyd's is to create a postal system of voting on the new amendments to the Bill through the creation of a new bye-law. Nearly 20,000 members of Lloyd's could be asked to vote on the new proposals once the bye-law is created.

Mr Green was optimistic yesterday that the new legislation could be implemented by the beginning of next year and that a new Lloyd's ruling council, created by the new Bill, would begin work then.

Continued from Page 1

Eagle Star dawn raid

sale price which cannot exceed the maximum of 290p. The bankers then determine the price at which the required number of shares will be acquired and this is the striking price, which applies to all shares offered below this price.

Kevin Done in Frankfurt writes: With a market capitalisation of DM 4bn in West Germany, Allianz has about 20 per cent of the direct domestic insurance market in the country. Its associate company Allianz Leben is the largest life insurer in Europe.

The Allianz group had a gross premium income last year of DM 11.6bn. Of this DM 1.4bn came from abroad, an increase of 28.5 per cent over the previous year. In 1979 foreign premium income jumped by some 88.4 per cent largely as a result of the takeover of two life *companies in the U.S.*

Until 1978 foreign premiums accounted for only 3 per cent of worldwide premiums, but by last year foreign operations were bringing in 12 per cent of the total.

Eagle Star's share price, 233p before the raid, went straight to 290p and then moved erratically before closing at 270p. The operation resulted in prices of other leading composite shares improving substantially. The FT-Actuaries composite index rose 4.7 per cent to 157.78.

The German group was previously represented in the UK by a small subsidiary, Allianz International. But this brought premium income of only about *DM 20m a year and the business* was largely conducted by London insurance broker Willis Faber.

Apart from its subsidiaries and associates Allianz has branches and agencies spread through Europe, the Middle East and the Far East.

Allianz is active in all categories of private insurance, but is dependent on motor insurance in the domestic market, which brought it 44 per cent of last year's domestic non-life income of DM 5.8bn.

Weather

UK TODAY

SHOWERS becoming heavy and thundery at times London, S. and S.W. England, Wales, Channel Isles, the Midlands

Heavy and perhaps thundery showers developing in places E. England, E. Anglia

Thundery showers, heavy in places with sunny intervals. N.W. England, N. England, Lakes, S.W. Scotland, Ulster

Thundery rain, becoming brighter but showery. Borders, Scotland, the Highlands

Rain spreading from South

Outlook: Sunny intervals and heavy showers.

WORLDWIDE

	Y'day midday	°C	°F		Y'day midday	°C	°F
Ajaccio	S	24	75	L. ang.†	C	17	63
Algiers	S	22	72	Luxmbg.	F	22	72
Amsdm.	F	21	70	Luxor	-	42	108
Athens	S	28	82	Madrid	F	25	77
Bahrain	S	33	91	Majorca	S	24	75
Barclna.	S	23	73	Malaga	S	25	77
Beirut	S	25	77	Malta	F	24	75
Belfast	C	15	59	M'chstr.	C	13	55
Belgrd.	S	29	84	Melbne.	F	20	68
Berlin	F	28	82	Mx. C.†	[illegible]		
Biarritz	F	22	72	Miami	S	27	81
Bmghm.	C	16	61	Milan	S	27	81
Blackpl.	C	15	59	Montrl.†	S	18	65
Bordx.	F	26	79	Moscow	F	21	70
Boulgn.	F	18	64	Munich	F	25	77
Bristol	F	17	63	Nairobi	C	22	72
Brussels	F	22	72	Naples	S	31	88
Budpst.	S	27	81	Nassau			
Cairo	S	34	93	Nwcstl.	C	18	64
Cardiff	C	17	63	N Yrk†	S	17	63
Cas'b'ca	F	22	72	Nice	S	25	77
Cape T.	C	16	61	Nicosia	S	29	84
Chicg.†	F	14	57	Oporto	F	18	64
Cologne	C	23	73	Oslo	C	14	57
Copnhgn.	R	19	66	Paris	F	24	75
Corfu	S	30	86	Perth	F	16	61
Denver†	S	25	77	Prague	R	26	79
Dublin	F	15	59	Reykjvk.	R	7	45
Dbrvnk.	S	27	81	Rhodes	S	25	77
Edinbgh.	C	18	64	Rio J'o†			
Faro	C	20	68	Rome	F	29	84
Florence	S	30	86	Salzbrg.	S	28	82
Frankft.	S	29	84	S F'cisco†	F	11	52
Funchal	F	22	72	Seoul	[illegible]		
Geneva	S	24	75	Singapr.	[illegible]		
Gibraltar				S'tiago†	[illegible]		
Glasgow	C	16	61	Stckhm.	F	18	64
G'nsey	F	17	63	Strasbg.	S	27	81
Helsinki	S	20	68	Sydney	S	21	70
H. Kong	R	26	79	Tangier	F	29	84
Innsbrk.	S	27	81	Tel Aviv	S	24	75
Invrnss.	C	18	64	Tenerife	S	22	72
I.o.Man	F	13	55	Tokyo	C	22	72
Istanbul	F	23	73	Toronto†	S	10	50
Jersey	F	19	66	Tunis	S	27	81
Jo'burg	F	16	61	Valencia	F	24	75
L. Pims.	S	22	72	Venice	F	29	84
Lisbon	S	26	79	Vienna	S	28	82
Locarno	S	25	77	Warsaw	S	24	75
London	S	24	75	Zurich	S	25	77

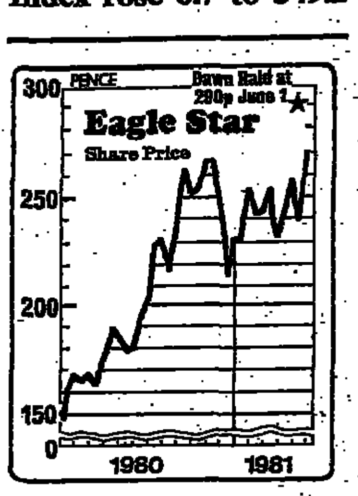
C—Cloudy. F—Fair. R—Rain. S—Sunny.
† Noon GMT temperatures.

THE LEX COLUMN

Allianz swoops on Eagle Star

Index rose 6.7 to 549.2

All the takeover talk in the insurance sector recently has concerned Commercial Union, so yesterday's dawn raid on Eagle Star by Allianz Versicherungs came as a surprise. With the sector depressed after the Guardian Royal Exchange rights issue 10 days ago, Rowe and Pitman found eager sellers in plenty at 290p, representing a premium of 23 per cent on Friday's closing price. In fact the brokers could only take about a fifth of the shares they were offered, and under the new rules devised by the Council for the Securities Industry last year Allianz is now going ahead with a formal tender offer for the remaining shares to take its stake up from 14.9 to 29.9 per cent.



Talks last year between Allianz and Eagle Star over possible co-operation in territories like South Africa and parts of the *Continent* of Europe, notably Belgium, came to nothing. In fact Eagle Star has little to offer in these areas, its strengths being in specialist areas of the UK general insurance market, its powerful UK life side, and its industrial interests. Certainly expansion into the UK market would fill an obvious gap in the overseas growth programme of Allianz.

The question is what Allianz can now gain from its share-buying spree at Eagle Star, given that the latter has inevitably declared fierce opposition, while under the CSI rules Allianz has undertaken not to make a full takeover bid for at least another year. The official line of "close co-operation to the mutual benefit of both companies" is not very illuminating.

The curious aspect is that Allianz has actually had a long-standing working relationship with CU. Perhaps CU's market capitalisation, as well over £600m, was too big for Allianz to consider—at 290p Eagle Star is worth a slightly more modest £395m. Now a 29.9 per cent stake in Eagle Star could serve to pre-empt any other approach while the future options are explored.

Yesterday's events show once again how the British investment institutions fall over themselves to accept a premium price for shares—could the same happen in Germany, or France? Next week, the tender offer will also dangle the lure of short-term gains to the exclusion of longer-term considerations. Eagle Star has just a day or two to cobble together some sort of defence, which at least gives it a chance it would not have had before the present rules came in.

Probably Eagle Star will be trying to put over the true value of its life business, in the books at a nominal £0.1m, and will claim that an unwanted 30 per cent shareholder could be obstructive. But while the share price—270p last night—remains below the maximum tender price the temptation to shareholders will be there.

RTZ/Tunnel

Just as it looked as though Tunnel was falling into Ward's grasp, RTZ has emerged with the clear intention of foiling this bitterly opposed takeover. Its purchases in the market have kept Tunnel's share price above Ward's buying range for much of the last week or so, and have given it 3.7 per cent of Tunnel's votes.

RTZ has long standing connections with Tunnel. Its late chairman used to sit on Tunnel's board, the two groups have a joint interest in the development of a waste management process, and they share the same merchant bank, Kleinwort Benson. But there has apparently been no collaboration between the two in this affair, and the commercial interests of RTZ in Tunnel do not seem to be big enough to attract the attention of the Takeover Panel.

RTZ would hardly have gone so far without being prepared to go further if Tunnel's share price falls back towards Ward's cash offer of 435p per share. It could find itself with a significant holding once Ward's offer—which cannot now be increased — closes at the beginning of next week. RTZ says that it will not make a counter bid, but it makes no mention of the possibility of a bid if the present offer fails. In that event, Ward could well be a willing seller of its Tunnel stake, representing nearly 42 per cent of the votes.

Whatever RTZ's eventual plans, Ward's offer is not that generous in the light of Tunnel's forecast of further progress in 1981-82. So Tunnel's shareholders probably have little to lose by sitting tight.

Berisford/BSC

S & W Berisford's announcement that last Thursday's raised offer for the British Sugar Corporation is final may not put as much pressure on shareholders as it would have wished. The all-share version represents earnings and even income dilution for BSC shareholders and does not seem particularly attractive to long-term holders. For shorter-term operators, however, the prospect of the share price dropping away if the Berisford offer lapses means that this may be the right time to take profits.

To win control outright Berisford needs to achieve the formidable feat of gaining acceptances for 60 per cent of the shares outside its own or Government hands. Even though the Government wants to dispose of its stake, its 24 per cent holding is pivotal and it will not want to be seen acting against the wishes of the majority of shareholders. But if Berisford manages to obtain substantial acceptances the Government may yet consider this justification enough for throwing in its own stake.

Lesney-Lex

After less happy memories of Dunbee-Combex-Marx, Midland Bank can take some satisfaction from its continued support of Lesney. The new management has cut stock by more than half to £19.4m, at a cost to profits of £1½m, and net debt has fallen by 38 per cent as a result. Even so, borrowings total around 1½ times net worth and, with operating losses amounting to over 3 per cent of sales in the second half, the company's future does not yet look assured.

Lesney is now operating from a much sounder manufacturing base, but the demand picture hardly inspires enthusiasm. The company lost £8.4m in the UK last year and it will need to find funds for product development if satisfactory profit margins are to be restored.